

# FINANCIAL TIMES

## Measuring risk

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## BURGER KING

## Why Burger King bosses mop the floors

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## Wanted: workers

## Malaysia's acute labour shortage

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## Ireland

## Search for a new president

Page 2

World Business Newspaper <http://www.FT.com>

## Armani's plans fuel speculation over a flotation

Italian fashion designer Giorgio Armani, who dresses the likes of Jodie Foster and Eric Clapton, has unveiled plans to restructure his business interests, fueling speculation of a stock market flotation. Rumours of an Armani share issue follow last month's murder in the US of his rival Gianni Versace, who had planned to take his company public next spring. US fashion designer Ralph Lauren successfully floated in New York earlier this summer. Page 11

**FCC rejects Ameritech plan:** The Federal Communications Commission, chief US telecoms regulator, has formally rejected an application by Chicago-based local telephone company Ameritech to enter the long-distance market in Michigan. The FCC said Ameritech had not yet done enough to open its local monopoly to increased competition. LCI acquires Ameritech, Page 3

**London Insurance bids:** London Insurance Group, Canada's biggest underwriter of individual life policies, faces the prospect of a takeover battle, with a C\$2.5bn (\$2.05bn) bid from Great-West Lifeco, the Canadian insurance holding company. Page 11

**Fed leaves rates unchanged:** The US Federal Reserve left short-term interest rates unchanged, delaying action until a clearer signal about the strength of inflation and the direction of the US economy. Fed chairman Alan Greenspan believes productivity has been vastly underestimated in the "New Economy" and this has helped keep inflation in line. Page 10

**Titanic traveller arrives 85 years late:** Milvina Dean, left, the youngest survivor of the Titanic shipwreck, has arrived at her original destination 85 years late. Aged just nine weeks, she and her English family were emigrating to the US in 1912 but returned home after the liner sank. Now she has finally visited the Kansas City house which was to have been their home.

**MCI offers concessions:** MCI Communications – the second largest US long-distance operator – has offered a significant concession to the FCC in an effort to win swift approval of its merger with British Telecommunications. Page 11

**Construction slowdown in Germany:** A slowdown in Germany's construction industry means the forecast recovery in the west European construction equipment sector will be much weaker than expected. Page 4

**Lebanon fighting:** Lebanon and Israel are trying to end the escalation in fighting on their border following katusha rocket attacks on northern Israel and Monday's shelling of the Lebanese port of Sidon. Page 10

**Japanese collapse triggers fears:** The collapse of Japanese contractor Daito Kogyo has triggered fears of more corporate failures amid sluggish private demand and weak economic conditions. Page 13

**Bayer performs well:** German chemicals and drug group Bayer overcame a drop in prices and higher-than-expected extraordinary charges to report a strong first half rise in profits and sales. Page 11

**BP rebels over Greenpeace:** British Petroleum has backed down on its threat to seek £1.4m (\$2.2m) damages from Greenpeace after the environmental pressure group's eight-day occupation of a mobile oil rig in the North Atlantic. Page 10

**Singapore PM grilled:** Singapore's prime minister Goh Chok Tong underwent tough questioning from top UK lawyer George Carman in a high-profile defamation case against the leading opposition politician Joshua Jeyaretnam. Page 3

**Roman folly:** Bernini's famous Four Rivers fountain in Rome's Plaza Navona was damaged when three men took a dip to escape the summer heat and used part of it as a diving board. A metre-long piece from the tail of a dragon in the stone 17th century baroque masterpiece snapped off when they dived.

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**STOCK MARKET INDICES**

## IN GOLD

New York Comex Aug 1,581.27 (+7.51)

NASDAQ Composite 1,593.07 (+25.58)

Europe and Far East

## CAC 40

2,098.16 (+65.03)

DAX 4,162.82 (+61.92)

FTSE 100 4,914.2 (+79.2)

Nikkei 15,361.00 (+0.18)

**US LUNCHTIME RATES**

## IN DOLLAR

Federal Funds 5.75% (0.012)

3-month Tres 5.66% (0.52)

Long Bond 8.85% (0.25)

Yield 8.500% (0.25)

London 2 1,8002 (1.5102)

DM 2,3554 (1.8225)

FF 6.427 (1.012)

FR 1.5141 (1.5102)

ST 1.5165 (1.5102)

Y 110.17 (117.74)

Yield 10.30% (0.8771)

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## NEWS: EUROPE

Belarus officials increase pressure against TV staff □ Warning of show trial for reporters

# Russia mute over arrests of journalists

By Chrystia Freeland  
in Moscow

Senior Russian officials reacted mildly yesterday to increasing evidence of severe official pressure against Russian journalists in neighbouring Belarus.

The affair threatens to blow up into a serious problem for Boris Yeltsin, the Russian president, who could be forced to choose between the liberal and hardline factions of his government.

On Monday, Belarus's long-running campaign against Russian journalists from the state-owned ORT channel took a disturbing

turn when one arrested reporter, Anatoly Adamchuk, made a public "confession" of his guilt and pleaded for mercy.

After two days of interrogation, Mr Adamchuk, 22, made a televised statement to the effect that a trip he had made near the border between Belarus and Lithuania was part of a wider conspiracy at the television station.

Eye-witnesses said that Mr Adamchuk had a "dead gaze" and a "robotic delivery" as he said he had been "a pawn... drawn into a game above my head".

ORT officials compared the confession to Stalinist

show trials of the 1930s, and warned that five other detained ORT journalists risked being physically coerced to make similar statements.

Alexander Lukashenko, the president of Belarus, has repeatedly accused Russian and other foreign journalists of seeking to undermine his regime.

The arrests of Russian citizens working for a Russian state-owned television company have infuriated Moscow liberals, who have urged the Kremlin to reconsider its intimate relationship with Belarus.

However, senior Russian politicians, mindful of the

popular appeal of reunion with Russia's "Slavic brother", have been reluctant to criticise Mr Lukashenko. Russia signed a union treaty earlier this year establishing close political and economic ties with its neighbour.

In a gesture of support, Anatoly Litsitsin, the governor of Yaroslavl province in central Russia, this week travelled to Minsk, capital of Belarus. At a press conference, Mr Litsitsin said the journalists' arrests were "a local affair which does not have any impact on the lives of real people".

The Russian foreign ministry has also taken a lenient

line. Although Russian diplomats in Minsk have asked Belarus to release the state-employed journalists as "a goodwill gesture", the consulate has backed Mr Lukashenko's assertion that the arrests were legal.

The first group of ORT reporters was arrested in late July, near the Belarusian border with Lithuania, where the television journalists were investigating official controls along a frontier which has become a notorious area for smuggling.

The second group was arrested last week in the same area, where the reporters had travelled to do a story about their detained colleagues.



## German rate rise less likely

By Andrew Fisher  
in Frankfurt

Germany's money supply grew more slowly in July, making the chances of a rise in interest rates less likely when the Bundesbank holds its first council meeting after the summer break tomorrow.

The central bank has already held off once this week from a possible increase, leaving its regular securities repurchase (repo) rate unchanged yesterday at 3 per cent.

But it is maintaining flexibility by deciding each week whether the repo tender will be at a fixed rate - as at present - or variable, which would allow the rate to move up.

The bank said M3 rose at an annualised rate of 5.7 per cent last month against 6.4 per cent in June and 7 per cent in May.

For the second month running, it was within the Bundesbank's 1997 target range of 3.5 per cent to 8.5 per cent.

The slower growth rate reflected weaker bank lending to companies and stronger monetary capital formation in which funds are moved to longer-term securities outside M3.

Despite growing concern at the Bundesbank about inflation as a result of the D-Mark's weakness against the dollar, economists generally expect no change in interest rates at tomorrow's Bundesbank meeting.

This is partly because a rise could add to the market's volatile mood.

Otmar Issing, a senior Bundesbank council member, has twice warned that price trends were moving in the wrong direction.

The bank's latest monthly report also pointed to the need to watch inflationary trends in view of the sharp weakening of the D-Mark.

But several regional members of the council have argued against a precautionary rise in rates at present, saying this would disturb the economic recovery, which has yet to make a dent in high unemployment levels.

The repo rate, unchanged for a year, is generally thought by economists to be the most likely one to change when the Bundesbank decides to act.

They do not expect the discount and Lombard rates, respectively at 2.5 per cent and 4.5 per cent, to be increased for some time. Editorial Comment. Page 9

## Karadzic loyalists seize police chief

By Guy Dimmore in Banja Luka, Bosnia

Hardline nationalist forces controlled by Radovan Karadzic, an indicted war crimes suspect, yesterday dealt a blow to Bilijsa Plavsic, the western-backed Bosnian Serb president, by detaining her new chief of police in her stronghold of Banja Luka.

Major Milan Sutijovic was taken away by special police forces and told to sign a letter of resignation. He refused and was later released, officials said.

Mrs Plavsic attempted to reinforce her tenuous control over security forces in Banja Luka by replacing four police chiefs on Monday night.

But by yesterday afternoon Dejan

Samara, who was to be replaced by Major Sutijovic, was still in charge of Banja Luka's main police station.

Amid growing fears of a possible coup against Mrs Plavsic, opposition parties accused illegal police forces of gathering in Banja Luka, Bosnia's second largest city, and called on people to stage a rally of support for the president in the evening.

The power struggle within the Serb-controlled territory that makes up half of Bosnia erupted into the open last month when Mrs Plavsic sacked her interior minister, dissolved parliament and called for early elections to be held in October.

The conflict between Mrs Plavsic in the west of Bosnia and Mr Karadzic, the ex-president based in the east, intensified last Sunday when

special police forces loyal to Mrs Plavsic seized control of the main police station for 12 hours.

Nato troops eventually evicted them, saying the operation broke the 1995 Dayton peace accord.

Mrs Plavsic accused her rivals of using the building illegally to tap her telephone lines and those of other prominent figures, including Jovo Rosic, a constitutional court judge. The court, in Mr Karadzic's stronghold of Pale near Sarajevo, last Friday struck down Mrs Plavsic's dissolution of parliament.

Friends of Mr Rosic said he had been badly beaten the day before the court voted, and the issue was taken up by the US, which has pledged strong support for Mrs Plavsic in its efforts to consolidate peace in Bos-

nia before Nato troops are due to leave next June.

The condition of Mr Rosic is a mystery. He has not appeared in public, and no western officials have seen him since he came to Banja Luka from Pale last Friday.

UN civilian police who scoured the police station for two days said they had found evidence indicating illegal phone tapping. Investigations are continuing. Accusations by Mrs Plavsic of corruption against Mr Karadzic and his allies have weakened the ruling Serb Democratic party (SDS), which expelled her this month. Western analysts in Bosnia believe the SDS could lose power if properly supervised elections can be held in October.

Moment of truth, Page 8

## Irish put faith in presidential role

Contenders will find they have a hard act to follow after Mary Robinson raised voters' expectations of the job, writes John Murray Brown



Albert Reynolds (left) has begun his campaign in earnest and says he has no intention of standing aside if John Hume (right) puts his name forward for president

deputy leader.

The Labour party has still to put anyone forward, although a former minister of culture, Michael Higgins, is said to be considering standing.

A nomination is still in the gift of the main parties. To run, a candidate requires the backing of 20 members of parliament or four county councils.

This precludes many from entering the race - and is given as the main reason why Dana, the pop singer who won the Eurovision Song Contest in 1970, may not gain enough support.

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But the problem for all the parties is that after Mrs Robinson the electorate's expectations of the job have been raised.

It is no longer enough for the parties to see the presidency as a sinecure for their retired elder statesmen. Mrs Robinson transformed the role, capturing the mood of change.

Michael Laver, professor of political science at Trinity College in Dublin, says that at the last election the parties were "beating the bushes" to find suitable candidates. On this occasion, candidates are being sought

for the first time from outside the party system, he says.

Seamus Heaney, the poet, was mentioned at one stage, as was Peter Sutherland, a former head of the World Trade Organisation. Neither has indicated an interest in the job.

A figure less well known internationally is Adi Roche, an aid worker who runs a project to help children affected by the Chernobyl nuclear disaster.

Mr Ahern's preferred option is to persuade John Hume, the Northern Ireland politician and an architect of

the Ulster peace process, to stand. His candidacy would avoid the need for an election, and might foil Mr Reynolds, whom most polls suggest might lack sufficient support outside the core Fianna Fail vote to win.

Mr Hume has indicated he will stand only if he is an agreed candidate, apparently anxious not to get drawn into Fianna Fail politics.

However, party strategists appear not to have taken into account the determination of Mr Reynolds to secure a job which friends say Mr Ahern offered him. Mr Reynolds has now said he has no intention of standing aside if Mr Hume puts his name forward - which would probably force Mr Hume to withdraw.

The former prime minister, who was forced to resign over his bungling of an extradition case, has already written to all Fianna Fail members of parliament.

While most of political Ireland has been on holiday, Mr Reynolds has kept his name in the news, with appearances at one of Ireland's summer schools, and alongside Gerry Adams, president of Sinn Fein, the Irish Republican Army's political wing, at a Belfast arts festival.

The one way out for Mr Ahern is to find a third candidate who would have the stature to match Mr Hume and could secure enough support within the party to tip Mr Reynolds. One name now being canvassed is that of Ray MacSharry, the former EU commissioner.

## Emu shadow over pension reforms

T he pressure to reform pensions in the new democracies of central and eastern Europe is growing, not just because the systems they operate are in danger of becoming ruinously expensive.

Reform is essential because, assuming these states enter the European Union early in the next century, they will have to commit themselves to the goal of joining the single European currency. This will mean acceptance of the EU's strict constraints on budget deficits and public debt.

Despite high payroll contributions - 45 per cent of gross wages in Poland, compared with an EU maximum of 27 per cent in Italy - some pension authorities in central Europe are facing chronic deficits, forcing governments to subsidise benefits.

Under the generous Polish system, the national pensions authority, ZUS, absorbs 15 per cent of public expenditure each year. In Hungary, social security shortfalls under the existing regime could reach 4 per cent of gross domestic product within 20 to 30 years.

With fiscal deficits of 3.5 per cent of GDP, both countries have been looking at ways to stabilise their social security spending.

Hungary raised the retirement age

and expanded the contribution base. But other limited measures can have negative effects: in Poland, where nominal payroll contributions were increased by 10 per cent over two years, tax evasion is rife.

This year, both countries initiated a comprehensive overhaul of their pension systems, following 1994 World Bank guidelines. The state

while contributions are trimmed.

In addition, the newly created private funds need capitalisation. Plans to cover the transitional costs by a bond issue, as in Hungary, will considerably raise public debt. This will make it more difficult to attain the Maastricht criteria for joining European monetary union.

The Polish government plans to

peak at \$1bn for five consecutive years after the implementation of the multi-pillar system.

The European Commission recognises the temporary destabilising effect of state-run pension system reforms on the fiscal balance of eastern European countries, but maintains that these changes will help them join the EMU anyway.

"The adaptions are definitely on long-term," said Joao Vale de Almeida, a commission spokesman. "Satisfying the Maastricht criteria is not among the requirements for membership, and most countries will need more time to join EMU anyway."

Yet for those whose budget deficits are above 3 per cent of GDP, this could mean a significantly longer spell outside the single-currency zone. "This sounds terrible," said the Polish official.

One EBRD expert expressed confidence that the EU would consider the long-term advantage of these reforms, not just their immediate impact. "As for increased indebtedness [caused by pensions reforms], it de facto represents the transformation of implicit pensions liabilities into explicit public debt."

However, some experts argue that building the system on future privatisations is hazardous, since the general election on September 21 may yield a majority hostile to the reform.

The deficit of the ZUS is expected

to become responsible solely for managing the redistribution of benefits. Privately run mandatory and voluntary funded schemes will receive a portion of the contributions and supplement this basic safety net.

The project aims at establishing a sustainable scheme, thus limiting the need for governmental financing.

The transition, however, entails a temporary cost surcharge which will raise public expenditure in the short term. This is because governments remain responsible for pensions liabilities accrued under the old regime

cushion the fiscal impact of the reform by capitalising the funds with privatisation receipts and the transfer of state assets. "The receipts, added to the savings allowed by the reform of the old state pillar, will allow us to cover the cost of accrued liabilities," said a Polish government official.

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## EUROPEAN NEWS DIGEST

### Germans agree student reforms

Germany's education ministry said yesterday it had struck a deal with the federal states, or *Landes*, on university reforms designed to cut the time students spend studying and improve the international comparability of qualifications.

The agreement follows long-running arguments about proposals for increasing the flexibility of higher education and reducing the average age of graduates. Roughly 10 per cent of German 25-year-olds are still in education.

The deal between the centre-right *Bond* coalition and the *Landes* is a fillip for Jürgen Rüttgers, education minister, who last week complained there was "no longer a consensus" over education reform. Yesterday's proposals must be approved by parliament. But Jürgen Zöller, spokesman for the opposition Social Democrats-controlled state of Rhineland-Palatinate, promised constructive support "with the goal of a swift conclusion".

Under the proposals, the standard length of many courses would be cut by about a year to four or four-and-a-half years. Changes in content and the introduction of examinations earlier during studies could also cut the time spent at universities.

The proposals would also allow the awarding of internationally recognised "bachelors" and "masters" qualifications.

Ralph Atkins, *Born*

#### ■ RUSSIAN RANSOM

#### Checkens accused of kidnaps

Russian journalists recently released from captivity in Chechnya yesterday accused the Chechen government of being involved in their kidnapping, a charge which could undermine the fragile rapprochement between Moscow and the breakaway region.

Igor Malashenko, president of NTV, the television company whose three employees had been held hostage, accused Vakha Arsanov, the Chechen vice-president, and another senior government figure of being involved in the "business" of kidnapping.

The influential television boss's allegations could create a new rupture in relations between Moscow and Chechnya, undoing the work of a friendly meeting between the Chechen and Russian presidents earlier this week. Earlier yesterday, President Boris Yeltsin said he was prepared to grant Chechnya even greater formal autonomy than Russia's largely self-ruled autonomous republics currently enjoy.

Christy Freeland, *Moscow*

#### ■ GERMAN PRIVATISATION

#### Berlin utility sale



Foreign companies' operations pay \$10bn as economy improves

## Subsidiaries' taxes jump in US

By Nancy Dutton  
in Washington

US subsidiaries of foreign companies, benefiting from the strength of the US economy, have been paying record levels of federal taxes, according to a study of US tax data.

Subsidiaries paid \$10.3bn in federal taxes in 1994, the most recent year available, a 24 per cent rise over the previous year - which is twice the rate of increase of US companies.

The study was commissioned by the Organisation for International Investment and carried out by Barents Group, part of the accountants KPMG Peat Marwick.

"Over the years, many people have voiced opinions that US subsidiaries aren't paying their fair share," said Julie Guarino, vice-president of taxes at the US subsidiary of ABB, the Swiss-Swedish

power group which is a member of the organisation.

"We started analysing what the IRS [Internal Revenue Service] has, and the information clearly indicates that US subsidiaries are paying taxes relative to the income they are earning.

The point is that dramatic income gains have led to record high tax payments."

In 1994 tax payments from subsidiaries rose by \$1.8bn over 1993, as the US economy continued to recover from a 1991 recession which hurt foreign-owned companies.

Records show subsidiaries have been building up their assets much faster than domestically owned companies, Mr Smith said. In 1994, subsidiary assets were 10 per cent of all assets of US companies, and increased by 12 per cent over the previous year to \$2.300bn. Assets grew 11 per cent in 1993 and 3 per cent in 1992.

The upward trend in tax receipts follows \$6.1bn paid

during the 1991 recession and \$7.1bn paid in 1992. Taxes paid by manufacturing subsidiaries increased by 38 per cent in 1994. Payments from the wholesale trade sector rose by 29 per cent.

Tax receipts from finance, insurance and real estate fell by 10 per cent.

Foreign companies have been accused by the IRS of improperly accounting for the prices of assets transferred between parent companies overseas and their US operations. However, tax records show

subsidaries have been building up their assets much faster than domestically owned companies, Mr Smith said. In 1994, subsidiary assets were 10 per cent of all assets of US companies, and increased by 12 per cent over the previous year to \$2.300bn. Assets grew 11 per cent in 1993 and 3 per cent in 1992.

The largest increase in assets - 14 per cent - was recorded in the finance, insurance and real estate sectors. Manufacturing assets rose by 10 per cent and wholesale trade, by 9 per cent.

The US Commerce Department said housing starts were unchanged in July, as construction showed signs of levelling off from a boom pace earlier in the year. Reuters reports from Washington.

Total starts in July were at a seasonally adjusted annual rate of 1.45m, unchanged from June when starts increased by 3.2 per cent from May.

### Shuttle lands with ozone layer data

The space shuttle Discovery touched down in Florida yesterday (pictured left) with a satellite carrying a bounty of data about the health of Earth's protective ozone layer. Reuters reports from Cape Canaveral.

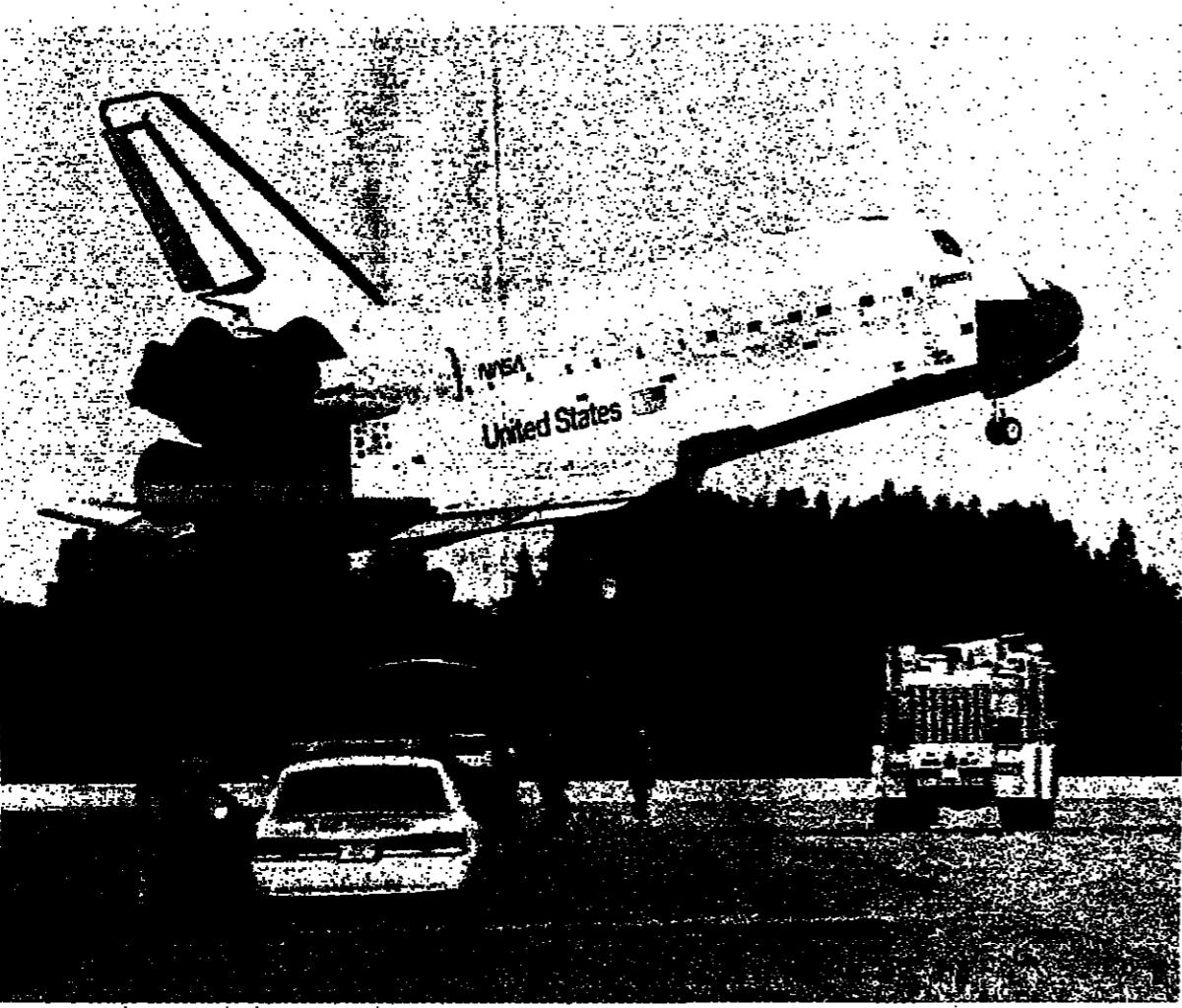
Cradled in the shuttle's cargo bay was an ozone-monitoring satellite, holding enough atmospheric data to fill a half-ton of computer floppy discs.

The German-built spacecraft flew free of the shuttle for nine days and took nearly 50,000 atmospheric measurements to aid scientists studying the depletion of the ozone layer.

The satellite also provided evidence to support a controversial theory that the Earth is being bombarded daily by thousands of house-sized, water-laden comets.

The threat of fog had delayed by a day the homecoming of Discovery and its crew of six, but the weather co-operated for the sole landing opportunity yesterday.

Picture: Reuters



## Brazil's new man is the Real thing

Rising star at central bank is proponent of strong currency, reports Geoff Dyer



Franco: guardian of foreign exchange policy

Perhaps it is the boyish looks, or maybe the occasional, half-hearted attempt at a beard, or even the slight hint of a glamour in his lifestyle, but Gustavo Franco does not come across as a natural central banker.

However, in choosing the 41-year-old Mr Franco to be the new head of Brazil's central bank, a position which holds considerable influence over economic policy, Fernando Henrique Cardoso, the president of Brazil, has sent out two strong messages.

The appointment of the pugnacious Mr Franco shows that Mr Cardoso intends to stick with the current stance of tight monetary and fiscal policies and a strong currency, despite the pressure from some quarters of the government for a more expansionist economic policy.

Mr Franco's elevation to the presidency of the central bank, which he takes up today, also proves that the former economics professor from Rio de Janeiro's Catholic University is very much one of the rising stars of the Brazilian political world.

The comparison has been made with another young Harvard-educated economist turned policymaker, Lawrence Summers, deputy US Treasury secretary.

It has been a rapid promotion. Mr Franco moved into government four years ago as one of a group of talented economists who drew up the plan for a new currency, the Real, which was launched in July 1994. His boss at the time was Mr Cardoso, then Brazil's finance minister.

However, while most of the other authors of the Real plan soon departed for more lucrative pastures in the private sector, Mr Franco remained in Brasilia, working as the central bank's director for international affairs.

Since Brazil's return to the international capital markets last year, he has spent a large part of his time touring the world's financial centres as the Real plan's chief salesman, promoting a series of eurobond issues. In the pro-

cess, Mr Franco has helped win the respect of international investors for Brazil's economic management.

Mr Franco's other main role has been as the guardian of Brazil's foreign exchange policy of gradual depreciation against the US dollar, within tightly controlled bands.

Given that the Real is anything from 5 to 30 per cent overvalued, the policy has not been to everyone's taste and has made Mr Franco the occasional target of public rebukes. At times the bars have been spiced with references to his diminutive stature.

Through all the claims and counter-claims, Mr Franco has displayed the insouciance of a man confident he is right. Charming and ironical to some, he has strong self-belief which leads critics to label him arrogant.

This will be the main challenge for Mr Franco and the rest of the economic team: gradually to depreciate the currency to relieve pressure on exporters, while maintaining confidence in the anti-inflationary approach and preventing a speculative onslaught on the Real.

In an indication of how the government might try to present economic policy in the coming months, Mr Franco was keen to stress at his Senate confirmation hearing last week that Brazil does operate a "flexible" exchange rate system, and not a fixed "currency board" as in Argentina.

Mr Franco's other main challenge will be more personal - to show that he is as adept a politician as he is an economist. His frank public statements have sometimes lacked the finesse of a more practised politician, notably when he was quoted as saying that businesses should move to the north-east because of the cheap labour to be exploited.

If he can smooth these edges, there are few limits to where he might go. After all, friends of Mr Malan, who was central bank president before moving to the finance ministry, say he has long harboured after the top job at Brazil's foreign ministry.

## UK to support islanders who leave

By David Wighton in London  
and Canute James  
in Kingston

The British government was last night preparing a funding package to support a voluntary evacuation of Montserrat, the Caribbean island devastated by volcanic eruptions.

The government, which has been accused of neglecting its responsibilities to its dependent territory, is expected to offer financial assistance for resettlement of any of the island's remaining 4,000 inhabitants.

The move has been prompted by scientific evidence that the island's volcano could be on the brink of a huge eruption. Clare Short, the international development secretary, said a voluntary evacuation would start today.

"People will be housed temporarily on Antigua and then we will provide assistance to either come to Britain or to settle on a neighbouring island or elsewhere," she said before the government announcement.

Meanwhile, police with riot shields broke up demonstrations on Montserrat against crowding in shelters. Some roads were blocked by demonstrators after Bertrand Osborne, the chief minister, refused to give details of the evacuation programme.

Mr Osborne promised Montserratians they would be told late yesterday. He said there was no need for a complete evacuation of the island. "We don't think so or we don't hope so. We haven't been advised that we have to do that or that has become necessary."

He said the voluntary evacuation was suggested because of a shortage of space. The 4,000 of an original 11,000 Montserratians are living in temporary shelter in the undeveloped northern third of the island. "If we had room in the north for all those persons who need shelter we would not have had to ask for a voluntary evacuation," he said.

A British warship is anchored off Montserrat to help those wanting to leave. Neighbouring Antigua, which has given shelter to about 8,000 Montserratians and is expecting more, says it needs help from Britain.

The impact of the Montserratians who have come to Antigua is similar to the effect on Britain if 1.7m people were to arrive overnight, and this has been causing a problem," an official said. "We are willing to help, but those Montserratians in Antigua already are straining our social services."

Editorial comment, Page 9

## LCI accuses Ameritech over contracts

By Nikki Tait in Chicago

there is less than full freedom of entry into its former local call markets.

In a statement yesterday, Virginia-based LCI, which started competing for local business in Michigan earlier this year, said: "The Telecommunications Act of 1996 was supposed to provide local phone customers with choices leading to lower prices. Little did we know monopolists like Ameritech would employ so many anti-competitive tactics."

Its complaint, filed with Michigan Public Utilities Commission, the state-based regulatory body, related to Ameritech's "ValueLink Calling Plus" plan, which LCI alleges locks customers into contracts which are difficult or expensive to terminate.

The move was due to release its five core states, where until recently it had a monopoly on local calls.

The LCI protest came just hours before the Federal Communications Commission was due to release its decision on whether Ameritech should be allowed to compete for long-distance service after one year.

Under the 1996 Telecommunications Act, local carriers in the US are to be permitted to sell long-distance services but only once they have opened up their local markets to competition.

Americitech claims to have done this in Michigan and Illinois, and is seeking permission to enter the long-distance market in both states.

However, Ameritech's competitors complain that the Chicago carrier has not met its obligations, and that

There was no immediate comment from Ameritech on the LCI complaint.

## Delay for Chile tariff cut plans

By Imogen Mark in Santiago

currency which has kept the value of the peso high.

However, the government estimates that the lower duties would reduce its revenues by some \$420m. The ministry had put together a package of measures to compensate, and Mr Aninat was proposing to raise petrol tax, increase the stamp duty on consumer borrowing, reduce the tax relief to exporters on imported inputs, and tighten up on tax evasion.

But the RN leader Senator Sebastian Piñera, says the proposals mean "an avalanche of taxes (which would raise) close on \$300m extra a year and hit the middle classes and the poor".

His party would accept some tax increases, he said, but it was demanding other measures as well, specifically in public spending cuts. The government has consistently resisted any, and the issue has become a subject of ideological rather than economic debate.

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## NEWS: INTERNATIONAL

# Unita rebels face threat of UN sanctions

By Barnaby Phillips  
in Luanda

The United Nations is considering imposing sanctions against Angola's Unita movement because of its failure to implement the 1994 Lusaka peace accords.

A report from the UN secretary general, Kofi Annan, to the Security Council says that peace in Angola is gravely threatened by renewed tensions between Unita and the Angolan government, and recommends that the withdrawal of UN peacekeepers be suspended for at least six weeks.

UN officials are exasperated by Unita's refusal to disarm and demobilise its forces, and its reluctance to hand over to the Angolan government the territory it controls.

Officials involved in the Angolan peace process are considering punitive measures against Unita such as travel restrictions on Unita leaders, closing Unita offices in Europe and North America, and freezing Unita's foreign bank accounts.

But diplomats in Luanda are sceptical about whether these measures can be enforced. "There has been a fuel and weapons embargo on Unita ever since 1993, but it has been flagrantly violated," said one. UN officials believe that up to 40 illegal flights, run by private companies based across southern and central Africa, land in Unita territory every week. "Unita's hold over Ango-

la's diamond reserves makes it very difficult for anybody to control what they do," admits an Angolan government minister. Unita is believed to earn about \$500m a year from diamond exports.

Unita has agreed some concessions, offering to hand over some strategic areas in the north of Angola in coming weeks.

Mr Annan stresses the importance of a direct meeting between the Unita leader, Jonas Savimbi, and the Angolan president, Jose Eduardo dos Santos. A senior Unita spokesman, Abel Chivukuvu, says "these two men are best qualified to make a decision on the future of Angola's diamond reserves".

Unita has argued in the past that the Angolan government's control of oil income makes it imperative for the former rebels to have a guaranteed revenue of its own from diamonds. Keuter reports from Mombasa.

It is the first time Kenya's seven days' violence has spread so far north, and the first attack on a tourist site in that time.

The death toll in the coastal region has now reached at least 37. Hassan Haji, deputy commissioner of Kenya's Coast Province, said in Mombasa that police were treating the fires as "a criminal act" by people taking advantage of the violence further south. No tourists have been injured in the violence, but foreigners have



President Daniel arap Moi yesterday denounces the tribalism he says is to blame for seven days of violence in Kenya

## Death toll climbs as Kenyan violence spreads to the north

Two people were killed yesterday and more than 100 curio stalls set ablaze in the Kenyan seaside resort of Malindi, 120km north of Mombasa, Keuter reports from Mombasa.

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been advised by their governments to avoid trouble spots.

The US government has warned its citizens not to travel to the coast. "The Department of State recommends that American citizens avoid travel to the coastal province of Kenya, including the city of Mombasa and its suburbs," a US government statement said.

"Residents and visitors in the Mombasa area are urged to take the highest security precautions. Travel to Mombasa and the surrounding areas should be avoided until the situation has stabilised."

Malindi is a centre favoured by Italian tourists and expatriates, who own

homes and businesses such as restaurants in the area. Mr Haji also said 150 people armed with bows and arrows and assault rifles had attacked a seven-man police patrol in Mtwapa just north of Mombasa yesterday. In an exchange of fire, police shot dead one of the attackers.

Also yesterday, vigilantes killed a man in Kitaruni, 9km north of Mombasa, when he tried to burn down a house. Five people were slashed with machetes at Ntompsona when thugs burst three homes and attacked the owners.

Several political activists had been among those arrested in a hunt by police, the army and the navy, Mr Haji said. An official with

President Daniel arap Moi's ruling Kenya African National Union (Kanu) party was in custody and being questioned. The official would be charged if he was found to have been involved in the well organised violence.

Security sources said the man was linked to a Coast Protective Group which seeks to keep land for local people. Many of the Kenyan dead were originally from outside the coastal region. Tourist officials said holiday cancellations were increasing. An official with Abercrombie and Kent, the tourism company, said they had received 56 cancellations for holidays on the coast so far this week.

## INTERNATIONAL NEWS DIGEST

### Nigeria seeks refinery aid

Nigeria's military government has asked Total, the French oil company, to run the Kaduna Refinery and Petrochemicals Company in the north for three years, state radio reported yesterday.

It said the work was valued at between \$160m and \$220m, and included the cost of maintenance of the facility.

Total said in Paris that it was in talks with Nigeria to offer technical assistance for the refinery but that no contract had been signed.

Total's Nigerian subsidiary was last month appointed a consultant on downstream operations in the oil industry, the failure of which has led to severe fuel shortages.

The failure of Nigeria's four poorly-maintained refineries to work close to their designed capacity of 445,000 barrels per day, as well as problems with the distribution network, has led to bouts of fuel scarcity which paralyse Africa's biggest crude oil producer for weeks at a time.

Reader, Lagos

#### ■ TAJIKISTAN REVOLT

##### Rebel warlord takes flight

Tajikistan said yesterday it had crushed a mutiny in the south of the country and that the rebels' leader, Colonel Mahmud Khudoyberdiev, appeared to have fled to neighbouring Uzbekistan.

"According to our unconfirmed reports, Khudoyberdiev and up to 40 of his men crossed into Uzbek territory overnight... The rebel forces have been completely routed," said Zafar Saidov, spokesman for President Imomali Rakhmonov.

"The Tajik government hopes that, if this report proves correct, the Uzbek leadership will honour its earlier commitments and will seize Khudoyberdiev and his followers and send them back to Tajikistan," Mr Saidov said.

The rebels had broken up into small bands and were hiding in the mountains. The latest turmoil to rock the impoverished former Soviet republic began with clashes in Dushanbe between competing warlords and presidential forces on August 9 and Mr Khudoyberdiev began moving his brigade towards the capital.

The apparent defeat of the rebels comes several weeks after President Rakhmonov, who is backed by Moscow, signed a peace accord with Islamic guerrillas aimed at ending four years of civil war.

Reuters, Dushanbe

#### ■ PALESTINIAN AID

##### Mubarak transfers \$10m

Hosni Mubarak, Egypt's president, yesterday ordered the immediate transfer of \$10m to Yassir Arafat's Palestinian Authority, which is hard hit by Israeli sanctions.

Israel agreed on Monday to release \$30m out of \$70m in taxes and customs which Benjamin Netanyahu, Israel's prime minister, had refused to hand over to the Palestinian Authority since July 30.

Mr Netanyahu froze the funds as one of a number of sanctions on the Palestinians, demanding that Mr Arafat launch a crackdown on Palestinian radicals such as those behind the July 30 suicide bombing which killed 16 in Jerusalem.

Mr Arafat on Monday, in a veiled criticism of Gulf states, berated three unnamed Arab countries which have refused to unblock \$1bn in Palestinian assets frozen since the 1991 Gulf War.

AFP, Cairo

## Mir crew attempt to patch up broken computer

By Clive Cookson,  
Science Editor

The two Russians and one American on board Mir spent yesterday trying to restore the space station's computer system that crashed on Monday.

The crew made some progress - replacing an apparently faulty computer board

and feeding in data - and officials at Mir mission control near Moscow said that if all went well, they would try to switch the main system on again today.

The computer needs to work properly if the space station is to maintain its precise orientation to the sun, so that the solar panels can generate electricity. Since

the failure on Monday, the crew has been operating on minimum power supplied by batteries.

But yesterday the crew did succeed in using thruster motors on the Soyuz escape capsule, which is attached to Mir, to orient the station roughly with the sun and begin to recharge the batteries.

They will attempt to re-enter the depressurised Spektr laboratory that was damaged in a collision with

If the computer returns to normal operation today, the crew has been operating on minimum power supplied by batteries.

Reuter adds from Moscow: Viktor Blagov, deputy flight chief at Mission Control just outside Moscow, complained yesterday that a lack of cash was behind Monday's computer crash as Russians

had to use Mir equipment until it virtually falls apart.

"We are saving a lot of money on this scheme, but we really have to decide soon whether we need safety or money-saving," he said.

The faulty computer unit had not been changed for almost 11 years, Mr Blagov said.

an unmanned supply ship during a docking exercise on June 25, in order to reconnect essential power cables.

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"We are saving a lot of

# HK shares hit by speculation fears

By John Riddick  
in Hong Kong

Hong Kong shares fell sharply yesterday, plunging almost 4 per cent amid fears that south-east Asia's currency turmoil will lead to speculative assaults against the Hong Kong dollar.

The Hang Seng Index, the main benchmark for Hong Kong shares, fell 615.62 points to 15,477.26. The fall, the biggest since March last year, followed a decline of 2.4 per cent last Friday.

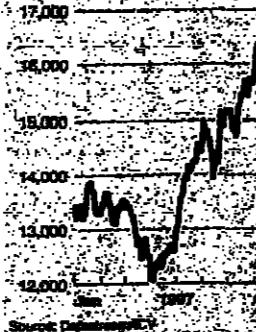
As the last Asian currency to be pegged to the US dollar, traders and economists believe the Hong Kong currency faces pressure. Few see any immediate threat to the currency link, but defence of the dollar and higher interest rates could curb the banking and property sector.

Tung Chee-hwa, Hong Kong's post-colonial leader, said any speculative attempts against the currency would fail. He cited the strength of the economy and the size of the territory's foreign exchange reserves, totalling about US\$89bn.

Mr Tung's comments underline the political support for the Hong Kong dollar peg following last month's resumption of sovereignty from China.

## Hong Kong

### Hang Seng Index



If there is a choice between the currency and the stock market, then there is no contest," said Pauline Gately, regional strategist at E2W Asia. "There is no way they would let the peg come under question so soon after the handover."

Investment analysts warned that the increased interest rates needed to deter speculators would have a damaging effect. One-month rates climbed above 11 per cent, against 7 per cent last week. Overnight rates jumped from below 10 per cent to as high as 20 per cent in the morning, before falling to 8-10 per cent by the end of the afternoon.

Market analysis said the pressure came mainly from

financial institutions anxious to obtain funds. "We did not detect moves by the Hong Kong Monetary Authority to push up rates," said Terence Lo, head of money markets at Standard Chartered Bank. Other traders said they saw no sign of speculation against the currency yesterday.

The increase in interest rates kept the currency relatively stable, at about HK\$7.7489 to the US dollar, stronger than the peg rate of HK\$7.80 to the US currency set in 1983.

Banks and property shares were worst hit. HSBC, which went ex-dividend, fell HK\$7.583 to HK\$362. Cheung Kong, the property developer controlled by Li Ka-shing, lost HK\$4.75 to HK\$37.25.

Despite the nervousness in the market, most analysts underlined the difference between Hong Kong's circumstances and those of neighbouring south-east Asian economies.

Hong Kong's reserves are about seven times the currency base, which is very strong for a currency board," Neil Saker, regional economist at SocGen Crosby, said.

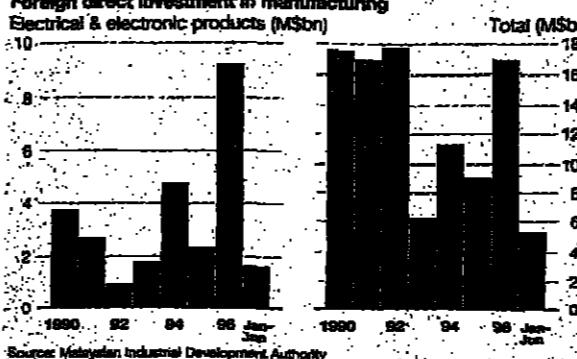
"If you add in China's reserves, the figure is US\$200bn," Lex Comment, Page 10; World Stocks, Page 28

# Malaysia skills shortage hits home

## Malaysia: slackening

Foreign direct investment in manufacturing

Electrical & electronic products (M\$bn)



trade deficit in June has brought the competitiveness of the country's electronics exporters into scrutiny.

The question of how much a 1.8 per cent increase in exports in the first half of the year reflects waning domestic competitiveness is seen as crucial to the future of the Malaysian dollar, which has declined by some 11 per cent against the US dollar since early July.

"Evidence of falling export competitiveness makes people worry about large trade deficits, and a large trade deficit makes people sell the ringgit," said a Singapore treasury economist.

compared with a full-year figure of M\$9.23bn in 1996.

Overall foreign manufacturing investment was M\$3.37bn in the first half, against M\$1.06bn in all of 1996, according to the Malaysian Industrial Development Authority.

The subsidising interest appeared to be the result of both intensifying competition from other countries in the region and perceived problems in Malaysia, executives said. "It is not a question of it being difficult to find engineers in Penang. It is the problem that we sometimes cannot find the right kind of engineer," said a senior executive at Inventec, one of Penang's first investors, has shifted two-thirds of its phone and calculator assembly operations to China. The remaining third would be moved there by mid-1998, the executive added. In an attempt to climb the value-added ladder, the company started to manufacture video-conferencing and screen-phone products but has found this difficult because it cannot find enough skilled personnel.

As a result Singapore, Malaysia's wealthy neighbour, has attracted the lion's share of south-east Asia's high technology investment. This could change, but only if Malaysia can find a way out of what is starting to look like a medium technology trap.

James Kyne

## CONTRACTS & TENDERS

### पायर ग्रिड कॉर्पोरेशन लिमिटेड

(A Government of India Enterprise)

Registered Office : Hemkunt Chambers, 10th Floor, 89 Nehru Place, New Delhi 110 019

REQUEST FOR PRE-QUALIFICATION PROPOSALS ON INTERNATIONAL COMPETITIVE BIDDING BASIS FOR SETTING UP OF COAL BASED THERMAL POWER PROJECT OF 1000 MW CAPACITY AT NABINAGAR AND DEVELOPMENT OF ASSOCIATED CAPTIVE COAL MINE AT DUMARGARH COAL BLOCK IN NORTH KARANPURA COAL FIELDS IN BIHAR STATE, INDIA.

1.0 Power Grid Corporation of India Limited, New Delhi (POWERGRID), a leading Public Sector Enterprise of Government of India (GOI), has been authorised by Ministry of Power (MOP) to undertake the task of Pre-qualification and Selection of Independent Power Producers (IPPs) through International Competitive Bidding procedures for development of Power Projects in private sector of Capacity of 1000 MW & more and catering to the power requirements of more than one State.

1.1 In line with the above, POWERGRID invited proposals for Pre-Qualification of IPPs (through a press notification in the month of August '96) on International Competitive Bidding basis for setting up of Coal based Thermal Power Project of 1000 MW Capacity at Nabinagar, Distt. Aurangabad and development of associated "Captive Coal Mine" of 10 Million Tonnes/Annum Capacity at North Dhadu Coal Mine Block in North Karanpura Coal Field, Distt. Hazaribagh in Bihar State, India, in private sector.

Subsequently, the Coal Mine Block identified for Captive Mining has been changed and Nabinagar Thermal Power Project restructured.

MOP, GOI now intends to get Implemented Nabinagar Power Project of 1000 MW Capacity and associated Captive Mining of 5.0 Million Tonnes/Annum Capacity.

1.2 In pursuance of above change, POWERGRID now invites the pre-qualification proposals from the potential Independent Power Producers (IPPs) who meet the Qualifying Requirements set forth at Para 4.0 hereunder for "Coal based Thermal Power Project having capacity of 1000 MW at Nabinagar", Village Dhundhush, Distt. Aurangabad in the State of Bihar, India and development of associated "Captive Coal Mine of capacity 5.0 Million Tonnes per annum at Dumargarh Coal Mine Block" in North Karanpura Coal Field, Distt. Chhota, Bihar to cater to the Coal requirements of the Power Project on Build, Own and Operate (BOO) basis through International Competitive Bidding.

2.0 Salient features of the Nabinagar Thermal Project and associated Captive Coal Mine are given hereunder:

i) Land for the proposed Power Project has been identified.

ii) Availability of water to cater the requirement of the power project has been confirmed by Bihar Government.

iii) No Objection Certificates from National Airport Authority and State Pollution Control Board are available.

iv) Mining Block having Gross Geological Coal Reserve (Dumargarh Coal Mine Block in North Karanpura Coal Fields) of about 268.0 Million Tonnes has been identified for Captive Mining.

v) Tentative Power Transmission Plan to be implemented by POWERGRID and/or Independent Transmission Company, envisages evacuation of Power to Northern and Eastern Region States of India, in the ranges of 800 MW and 200 MW respectively.

vi) Attractive Security Package for ensuring uninterrupted Revenue Stream would be offered.

vii) Site is suitable for development of 2000 MW thermal power project. MOP/POWERGRID would get the additional capacity of 1000 MW implemented at an appropriate stage.

### 3.0 BRIEF SCOPE OF WORK FOR IPPs

3.1 POWER PROJECT

Implementation, Operation & Maintenance of 1000 MW Generating Capacity Coal based Thermal Power Project on Build, Own & Operate (BOO) basis at Nabinagar, Village Dhundhush, Distt. Aurangabad in the State of Bihar, India.

3.2 CAPTIVE COAL MINE

Implementation, Operation & Maintenance of "Captive Coal Mine of capacity 5.0 Million Tonnes per annum at Dumargarh Coal Mine Block" in North Karanpura Coal Field, Distt. Chhota, Bihar in the State of Bihar, India in line with Guidelines on the procedural steps to be complied with for mining of Coal from Captive Coal Mine.

3.3 The Scope of Work given at para 3.1 & 3.2 above is only indicative. Detailed Scope has been described in RFO documents.

4.0 QUALIFICATION REQUIREMENTS

Pre-qualification is open to the IPPs consisting of firm(s) or Joint Venture Companies or Consortium of two or more firms or Private/Public Sector Companies. IPPs should demonstrate in the bid their Technical, Financial & Managerial Capacity & Capability (individually or jointly) and substantiate the same with documentary evidence to implement the proposed Power Project & Captive Coal Mine. Pre-qualification is open to the IPPs fulfilling following criteria:

### 4.1 TECHNICAL CRITERION FOR POWER PROJECT:

i) IPPs should demonstrate individually or jointly their experience of having developed, planned, designed, financed, constructed or implemented and operated large Power Plants(s) of at least 500 MW of generating capacity of either Thermal or Hydro Power Project and which is in successful commercial operation as on date of submission of Proposal. OR

ii) The IPPs who do not meet the above requirement can also participate provided it has (individually or jointly) a proven track record of having successfully implemented large capital intensive infrastructure projects in the area of power, rail, steel, mining, petroleum, fertilizer, chemical sector(s) etc. of similar capital cost as in (i) above.

### 4.2 TECHNICAL CRITERION FOR CAPTIVE COAL MINE:

i) IPPs should demonstrate individually or jointly their experience of having developed, planned, designed, financed, constructed or implemented and operated large Coal Mine(s) of at least 2.5 Million Tonnes per Annum of coal/lignite etc. capacity and which is in successful operation as on date of submission of Proposal.

### 4.3 FINANCIAL CRITERIA:

i) Average Annual Turnover for the last 3 (three) years should not be less than Rs.1000.00 Crores or equivalent.

ii) Net Worth should be at least Rs.350.00 Crores or equivalent.

iii) Evidence of past experience exhibiting ability to raise Finances equivalent to the proposed Debt Component of the estimated cost of Proposed Project & Coal mine.

iv) Evidence of past experience establishing ability to invest the proposed Equity Component of the estimated cost of Proposed Project & Coal mine.

v) Evidence establishing ability to obtain Proposal Security (at RFP stage) for an amount of Rs.35.00 Crores or 10 Million US Dollars.

For working out the equivalent figure for Annual Turn over & Net Worth, exchange rate (State Bank of India BC Selling) prevailing as on the date of Closing of Accounts for the respective years will be considered.

### 5.0 EVALUATION AND SHORTLISTING OF PROPOSALS

5.1 The Technical and Financial Criteria stipulated at Para no.4.0 is the threshold level and the Proposals of Applicants meeting the requirements set forth therein shall be further evaluated as per the criteria described in RFO document.

5.2 The proposals of FOUR top ranked applicants shall be Pre-Qualified for issuance of "Request for Proposal" (RFP) Documents.

### 6.0 SPECIAL INFORMATION

6.1 The implementation of the Power Project and Captive Coal Mine is an Integrated Project.

6.2 The IPPs would enter into separate Power Purchase Agreement(s) with Beneficiaries/Purchasing SEBs (to be indicated at RFP stage) who will assume direct responsibility of payments for the Energy purchased. For transmission, POWERGRID and/or Transmission Company would enter into separate Transmission Service Agreement(s).

### 7.0 ISSUE OF RFO DOCUMENT

7.1 The RFO Document along with copy of Geological Report (GR) of Dumargarh Coal Mine Block can be obtained on submission of a written application from the office of the Deputy General Manager (RFO), 11th Floor, Hemkunt Chambers, 89-Nehru Place, New Delhi 110 019 (India), on any working day from 20.08.97 to 30.09.97 between 1100 Hrs (IST) to 1800 Hrs (IST) against a payment of US \$ 43,000 (US Dollars Forty three thousand only) or Rs.1,500,000 (Indian Rupees One million five hundred thousand only) towards the cost of RFO documents, in the form of demand draft or banker's cheque in favour of "Power Grid Corporation of India Ltd", payable at New Delhi.

7.2 In case of IPPs who have earlier purchased "Request for Qualification" documents in response to our notification for "Request for Qualification" released in press in the month of August '96 would not be required to pay non-refundable fee of US \$ 5000.00 (US Dollars Five thousand only) or Rs.175,000.00 (Indian Rupees One hundred fifty thousand only) towards the cost of RFO documents and would only be required to pay US \$ 43,000 (US Dollars Forty three thousand only) or Rs.1,500,000 (Indian Rupees One million five hundred thousand only) towards the cost of RFO documents.

7.3 Upon ascertaining the no. of IPPs purchasing the RFO document, the share of cost towards GR would be updated and in case the share works out to be more than US \$ 43,000 (US Dollars Forty three thousand only) or Rs.1,500,000 (Indian Rupees One million five hundred thousand only), the IPPs would be required to pay the excess amount (after off setting the amount already paid towards cost of GR) alongwith the RFO documents, failing which RFO proposals shall not be accepted.

7.4 In case the share of cost works out to be less than US \$ 43,000 (US Dollars Forty three thousand only) or Rs.1,500,000 (Indian Rupees One million five hundred thousand only), the respective IPPs would be refunded the excess amount without any interest.

7.5 Further, on finalisation of selection of IPP (i.e. after RFP stage), the selected IPP would be required to deposit the "Full updated cost of GR" as decided by Coal India Limited and the unsuccessful IPPs would then be refunded their deposit without any interest.

### 8.0 PROPOSAL RECEIPT AND OPENING

8.1 Pre-Qualification Proposals will be received upto 1100 Hrs (IST) on 03.12.97 and will be opened at 1130 Hrs (IST) on the same day in the presence of the representatives of the IPPs, who choose to be present.

8.2 POWERGRID reserves the right to accept or reject any or all the proposals and/or annul the pre-qualification process without assigning any reasons and shall bear no liability whatsoever in this regard.

8.3 All correspondence, clarifications & submission of Proposals in respect of this Request for Pre-qualification shall be addressed to the following:

Deputy General Manager (RFO)  
Power Grid Corporation of India Limited  
10th Floor, Hemkunt Chambers, 89 - Nehru Place, New Delhi 110 019, India  
Tel: +91-11-62222995, 6468606, Fax: +91-11-6222995, 6473332, 6428357  
E-Mail (Intranet): pgcl@giidsl1.vsnl.net.in • India.powergrid@giidsl1.vsnl.net.in

POWERGRID-Promotion of Reliable and Secure Power.

# Royalist forces in Cambodia take last stand

By Ted Bardecker  
in Bangkok

The last bastion of military support for Prince Norodom Ranariddh, Cambodia's ousted prime minister, was under heavy attack late yesterday as troops controlled by the country's undisputed强人 Hun Sen, bombarded O'Smach, a town on the north-west border with Thailand.

Defending O'Smach is an alliance of royalist forces supporting Prince Ranariddh and the Khmer Rouge, the movement responsible for the death of up to 2m Cambodians in the late 1970s. The fighting has also sparked a new refugee crisis along the Thai-Cambodian border, with at least 20,000 civilians crossing into Thailand overnight.

At least 1,000 Khmer Rouge troops arrived from their jungle headquarters to assist royalist troops defending a small strip of territory separating Thailand and Khmer Rouge held areas. They did what they do best, laying thousands of deadly land mines and destroying bridges to slow advancing Hun Sen-backed forces.

The royalist and Khmer Rouge alliance could complicate Prince Ranariddh's efforts to win over the international community to put more pressure on Hun Sen, thus preventing permanent UN camps.

Over 300,000 Cambodian refugees populated camps in Thailand during the 1980s. Officials fear that if new permanent camps are set up inside Thailand, the flow of new refugees into the country will skyrocket.

## NEWS: UK

Exclusion clauses are written into policies

## Insurers arm against 'millennium bomb'

By Christopher Adams  
in London

Insurers are trying to prevent a flood of claims relating to the "millennium bomb" by writing exclusion clauses into thousands of policies that protect customers against the failure of electrical products.

Cornhill Insurance, which underwrites much of the extended warranty cover sold by retailers with electrical goods, has forced several big groups to accept changes in policy wording. Among the retailers affected are the Co-operative Wholesale Society, Argos, John Lewis and House of Fraser.

It is thought to be the first insurance company to take such action. Others are considering following its example and the Association of British Insurers has commissioned lawyers to draft exclusion clauses for its members. Several insurers, including Royal & Sun Alliance, one of Britain's biggest insurers, have also introduced exclusion clauses into contracts covering computer consultants for professional indemnity.

The "bomb" is a consequence of software programming convention in which years are stored as two digits rather than four. Software using the two digit convention will be unable to distinguish between this cen-

law firm Cameron & McKenna which warns that insurers are likely to face a wide range of claims.

The report's conclusions are that some policies would be exposed to millennium claims, said the association. Insurance companies are likely to be most vulnerable in the areas of product liability, professional indemnity, consequential loss and machinery breakdown.

The "bomb" will affect computers primarily. However, many electrical products and machines rely on so-called "embedded chips", which may also be affected.

Cornhill said it had written the exclusion clauses into policies because it was concerned that suppliers were not taking the millennium bomb seriously enough: "What we're trying to do is make the manufacturers wake up to the problem and do something about it."

It added that none of the retailers had opposed the introduction of exclusion clauses. If they had, premium rates would probably have been raised.

The Association of Insurance and Risk Managers (Arimic), which represents commercial insurance buyers, said it was deeply concerned by the steps insurers were taking: "There will be a big debate about this."

tury and the next. Insurers fear that many companies may seek to recoup the cost of disruption by claiming on commercial insurance policies.

The ABI has within the past few weeks distributed a report to its members from

the next. Insurers fear that many companies may seek to recoup the cost of disruption by claiming on commercial insurance policies.

The ABI has within the past few weeks distributed a report to its members from



Neil Pykett outside the Birmingham industrial tribunal yesterday

## UK NEWS DIGEST

## EWS in rail freight deal

English Welsh & Scottish Railway, a freight offshoot of Wisconsin Central Transportation, is to strengthen its domination of the UK rail freight sector with the acquisition of one of the few independent rail freight businesses.

EWS has reached an outline agreement to take over the rail freight operations of National Power, the former state-owned electricity generator. National Power now employs 50 people and operates six locomotives moving coal and limestone to its power stations. Although National Power's rail business is small, it is one of only two independent freight operators which sit up alongside EWS when the UK national network was privatised.

EWS and National Power said they did not expect the acquisition to raise competition issues because of the small size of National Power's rail activities. "Rail has only 6 per cent of the UK freight market and the real competition is road," EWS said. *Charles Batchelor, London*

## ■ ADVERTISING STANDARDS

## Motoring speed theme deplored

Complaints that two car advertisements, for Audi and Volvo, encouraged an irresponsible attitude to speed have been upheld by the Advertising Standards Authority. It said the poster for the Audi Cabriolet, featuring a picture of an empty road that looked as if it had been taken by a police speed-trap camera and claiming "0 to 60mph in 9.3 seconds", clearly breached codes of practice.

The authority told Volvo to withdraw its press campaign featuring a stopwatch, rocket, sprinter and a fireball. In each case, the advertisers argued unsuccessfully that the adverts contained safety messages. Last month, the authority identified an increasing use of the theme of speed to sell cars. *Alison Smith, London*

## ■ PENSIONS MIS-SELLING

## Faster compensation demanded

The government yesterday increased pressure on the City of London over pensions mis-selling by demanding faster compensation for the estimated 30,000 workers affected in the state health service.

Alan Milburn, the health minister, instructed the service's Pensions Agency to step up efforts to resolve outstanding cases. Mr Milburn said he was "appalled" that only 200 health staff have so far been reinstated into the state service's own pension scheme. Mr Milburn's intervention follows last week's publication of figures showing that only 46,000 of the 570,000 outstanding cases of mis-selling had received any redress. *David Wighton, London*

## ■ FOOD HYGIENE

## More inspections for butchers

Butchers' shops are to be subject to a further 65,000 hygiene inspections over two years as part of a £15m (£81m) initiative to improve food standards. Tessa Jowell, minister responsible for food safety, said the measures would help to prevent further outbreaks of the e. coli 0157 bug, which has claimed more than 20 lives in Scotland in a year. "We are determined to improve food hygiene standards and to restore the public's confidence in the food they are buying," she said. *George Parker, London*

## Region opens campaign to win Jaguar factory

Financial Times Reporters in London and Birmingham

Business and government leaders in the West Midlands region of England yesterday launched a campaign to convince Ford's Jaguar offshoot to build its proposed new small car, codenamed X400, in the UK.

However, industry observers close to Ford said the region may be pushing at an open door because the car company's senior

executives are believed privately to favour the UK over other options such as the US and Germany.

Regional officials in the West Midlands will argue that UK manufacturing is central to the brand image of Jaguar. This was one of the factors behind Jaguar's decision last year to build the new X200 saloon at its Castle Bromwich site in Birmingham.

Jaguar hopes to lift its production levels to 200,000 cars a year from about 45,000 through the X400

small car project provided the go-ahead is eventually given to the \$600m-plus plan.

Government officials in the West Midlands - also home to Jaguar's historic Browns Lane base in Coventry - will argue that the region has developed a strong base of Jaguar suppliers. They will also highlight the region's skilled workforce, at the heart of the UK's automotive industry.

David Ritchie, regional director of the Government Office of the

West Midlands, said: "I am quite certain we will have fairly detailed discussions with Jaguar, although the decision on the location is one that still has to be taken. We have a very powerful argument about the supplier base and the traditions of the region, as well as its central location."

Although the 50-strong project study group is due to report back on the feasibility of the project by November at latest, the choice of site could require several years. It would certainly involve Jaguar and Ford casting around for the best aid package available, as happened with the £20m UK Government funds provided to ensure that the larger X200 model, to be launched in 1999, was built at Castle Bromwich rather in the US.

Jaguar is likely to play the aid package game to the full. Under these circumstances, presuming final approval for the X400 is given, it will not enter production before 2002 at the earliest.

## INFORMATION TECHNOLOGY

## PC sound · George Cole

## Easy on the ear

The audio quality of the PC continues to improve as users demand superior technology



card supplied as standard - in 1985 it was closer to 60 per cent.

Some believe the sound offered by many home PCs could be improved. "It's a myth to believe that sound doesn't matter on a PC," says Sim Wong Hoo, founder and chairman of Creative. "Some people will spend hundreds of pounds on a new graphics board, but do little to improve the sound. The human ear is less forgiving than the human eye."

One of the easiest ways of improving PC sound quality, says Sim, is to replace the speakers supplied with the computer. To keep prices down, some PC companies supply their machines with mediocre speakers. Compa-

nies such as Labtec, Yamaha and Altec Lansing produce PC speakers which offer better sound quality.

Some PCs include the Dolby Surround sound system developed by US company Dolby Laboratories, which uses extra speakers to create surround-sound effects. A number of game companies, including EuroPress, Electronic Arts, Ocean, Psygnosis and Sony, have launched games encoded with Dolby Surround.

Attention is also turning towards PC-based systems, which use two speakers to create surround sound. Dolby has developed Virtual Dolby Surround, which uses electronic processing to trick the brain into thinking

that extra sound channels are being produced by just left and right speakers. Microsoft has developed the DirectSound 3-D audio standard for its Windows 95 operating system, which can be used by software developers to create surround-sound effects.

US company Diamond Multimedia Systems has developed a 3D sound card that claims enhances DirectSound.

The card, which uses technology developed by Aureal Semiconductor, has been developed for games enthusiasts, entertainment and internet users. The result, says Diamond, is that sound appears to come from all directions.

The internet is also becoming a source of audio for the PC. US companies Liquid Audio and Progressive Networks - which markets the RealAudio system - have developed systems that enable high-quality audio to be transmitted via the internet. The DVD-Rom format, which stores much more data than a CD-Rom, will also offer sound that exceeds today's audio CD format.

PC sound systems that dispense with sound cards are now on the market. The US chip company Cyrix has developed MediaGX, a system which puts the sound processing on a chip working with the main processor. Although the sound quality is not as good as that from a stand-alone card, it is likely to improve. Yamaha has developed a software-based PC audio format, which uses the powerful Intel Pentium MMX processors to generate the sound.

The PCs of the future will look and sound very different from the machines of today, predicts Sim. "Computers generate a lot of noise. There's noise from both the hard disk and the fan, and this degrades the audio. It may be possible to develop a PC which puts the processor in one box and the hard disk in another box in a different room," he says.

Sim adds that in spite of the progress made in PC audio, it is early days: "When it comes to sound on the PC, we're at the primary stage. We've just left the kindergarten."

## Information Technology

• The FT's review of Information Technology appears on the first Wednesday of each month.

## Eagle Eye · Louise Kehoe

## Senior service

PCs and the internet may be a challenge for some users, but it is worth persevering

section of the population. Latest news on the internet privacy front is the decision of Experian, a credit record agency, to withdraw its internet service after just a day or so.

Experian launched the service to enable consumers to obtain their credit histories quickly and easily. The web site was soon inundated with requests for this valuable service.

But a few people received the wrong credit reports, gaining access to detailed personal financial information about other people. Experian said there was a technical glitch.

It is embarrassing for the company, and holds lessons for businesses taking to the internet. Putting private information - whether it be financial, medical or banking records - on the internet is still fraught with risks. Better to be slow than sorry to provide internet access.

The field for delivering investment information over the internet is becoming more crowded every day. Whether it is Microsoft with its "Investor" web site, or Quotient.com, or brokerages such as ETrade, there are plenty of places for the casual trader to look up stock prices and financial data.

But established information providers are pushing back. Data Broadcasting Corporation, the leading US provider of real-time financial and market information to individual investors, remains convinced that "Johnny come latelys", typically offering delayed stock quotes, will not bite into its market.

Most DSC customers receive data via a wireless FM sideband broadcasting network, TV cable feeds, or satellite broadcasts. The company also now offers real-time quotes via the internet (www.dsc.com). It is not free, but offers the serious individual investor the kind of service previously only available to professionals.

Share your views in the Eagle Eye discussion group on the FT's web site (www.ft.com) or contact Louise Kehoe by e-mail on louise@ft.com.

## Putting private information -

whether it be financial,

medical or

banking records

- on the internet

is still fraught

with risks

## ARTS GUIDE

## BERLIN

## EDINBURGH

## PLAYHOUSE

## EDINBURGH

## ARTS

Television/Christopher Dunkley

## The midsummer blues

Yes, television is abnormally boring at present, even by the standards of midsummer. Yes, there were too many programmes about Elvis Presley over the weekend. Yet, on some nights it really is becoming difficult to find an original programme among the repeats. Yes, there are too many detective series (mostly repeats) and too many cheap quizzes and game shows, most of which are not worth repeating. True, most of the time you would be better occupied reading a book than tuning in to the odd things to which TV critics are reduced to when the silly season gets as silly as this.

In the past week I have rewatched the episode of *Men Behaving Badly* in which Tony reveals to the entire world that Gary has £23,000 tucked away in his bank account. It was a modest bit of comedy first time round, and does not reward a second look. On a deadly Saturday night, *Bugs* seemed a possibility since it was at least new, but this so-called action series failed to push Lego bricks around what looks like an old Horoboy Dublo layout. What is the point, anyway, of re-fighting the battle of Waterloo and having the French win?

Theatre/Alastair Macaulay

## Classics on tour

The touring companies who do some of Britain's most important theatre work receive relatively little national attention. Why? Partly because they usually only stay one week in each place; partly because, performing largely in the provinces, they sometimes do work that, unsurprisingly, appears provincial. We metropolitan sophisticates have seen every great play a million times; these touring troupes present them to audiences who have never seen them before.

Two such troupes are English Touring Theatre, currently presenting *The Seagull* in metropolitan circumstances at the Donmar Warehouse at the end of a three-month English tour, and the Oxford Stage Company, which has just launched a new production of *All's Well that Ends Well* at the Oxford Playhouse that will tour England until December. Both productions are good enough to succeed with newcomers to each play: no mean achievement.

Yet the reason one goes back to these classic plays is that one wants performances that will make one feel as if one is seeing the play for the first time, with new eyes. I have, no particular quarrel with the Donmar Warehouse *Seagull*, directed by Stephen Unwin, but it seems like just another *Seagull*: which is not how I feel, say, with Peter Hall's flawed but authoritative Old Vic production this spring. Unwin's staging has a bit too much theatrical

artifice. Cheryl Campbell's Madame Arkadina is all surface. She switches between four different voices, brays with laughter, and rampages a lot. Obviously the character is partly superficial, partly insincere, and partly self-deceiving; and obviously Campbell means to emphasise her actressy coarseness. But – even when she punches out a Key Line like "You're the last page of my life" – her effects don't cohere into one persuasive nervous system. Joanna Roth's Nina is rather too perpetually wide-eyed; she imitates radiance but never radiates.

Mark Bazeley's Konstantin, although forced by injury to perform with a crutch, gives perhaps the most impressive performance. He demonstrates both the quiet veneer and the smouldering neurosis of this young man, frustrated as son, lover, and artist. As Trigorin, who enjoys success in all the areas where Konstantin would like it, Duncan Bell's wry, ironic performance is subdued, and makes little impact. All the actors show us the play clearly; they don't all show why it matters. The translation, by Stephen Mulfane, is new and always persuasive.

The Oxford Stage Company's *All's Well* is both worse and better than this. Irina Brook, directing, has all the actors play like an African ensemble, singing and dancing, and makes the play grow out of this ritual. When not acting, the players disrobe, sit on the side, and sometimes play

drums to accompany certain episodes. About half the cast seem to have English as their second language, and at least two of the actors (Jeff Diamond as the King and Charlie Polomrsho as Reynolds) are laughably poor. It is all very Peter Brook (Irina's father) and often tiresome.

And yet the sheer simplicity of the production really does strip the play down to fresh essence.

Joanna Roth as Nina and Mark Bazeley as Konstantin in English Touring Theatre's production of 'The Seagull'



Douglas H. Jeffery

Rheinsberg Festival/Paul Moor

## Nymph lost in the garden

achieved Matthijs's goal of providing a professional springboard for qualified young singers of all nationalities.

A Prussian crown prince found this lakeside village, 70 km north of Berlin, so inviting that he had a charming little castle built in 1739. "Tranquillitatem colenti," dedicated "to him seeking peace". The garden theatre dates from soon afterwards. Today's festival combines village charm with the glamour of such sponsoring names as Barenboim, Friedrich Kupfer and Masur – not to men-

tion Daimler-Benz, IBM, Siemens and at least four big banks.

Rheinsberg annually offers an older opera and a newer one – this year Britten's *Albert Herring*, in collaboration with Aldeburgh's Britten-Pears School. Smaller-scale events included Stockhausen's *Indian Songs* and four open-air concerts, presenting the successful 50 of more than 500 eager young singers who applied from 21 countries.

Hoffmann so idealised Mozart, that he replaced his third Christian name, Wilhelm, with Ama-

deus. The unveiling of *Undine* in Berlin in 1816 moved Carl Maria von Weber not only to seek out Hoffmann personally, but to hail the new work in print as "the first German Romantic opera".

Today, unfortunately, except for a few passages, the music does not imbue it in the memory.

Logistically, Rheinsberg's outdoor environment simply could not present it to best advantage. From a steeply beamed grandstand, the audience beheld a lovely twilight panorama – sweeping primary fore-

ground playing area (orchestra on left), with a wide expanse of water beyond, then authentic woods intermittently peopled. It encompassed so much geography that even body microphones failed to recompense the unrealistic distances between characters singing to one another.

Attention automatically focused on the young singer, the Hanover student Britta Stallemeister as the nymph Undine, the Ukrainian coloratura Alla Krajchuk as her human antagonist Berthilda, Gavin Taylor

from England as Huldrbrand, Marc-Olivier Oettli from Switzerland as the Christ-like Healer, a young Russian, Irina Potapenko, as the Duchess, and Bernhard Leube from the Rostock Opera chorus as the fisherman. All benefitted by the hand of Rolf Reuter, a Komische Oper veteran, conducting the Brandenburg Symphony Orchestra under a canopy that shielded them from the elements but cut into Olaf Zonneck's visual panorama. Hellmut Matiasek's staging tended towards sight-gags, with plenty of rowboat traffic (some bearing candles), plus a fake waterfall and a sudden lake-jet, rivaling Geneva's trademark. Hanns-Joachim Haas lit everything superbly.

David Murray

Such an irony: despite impressive musical attainments, the polymath who renamed himself E.T.A. Hoffmann remains known primarily because, 80 years after his death, Jacques Offenbach wrote an opera about him and the phantasmagoric tales he wrote. The enterprising young Rheinsberg Chamber Opera Festival has partially redressed that by reviving Hoffmann's most important opera, *Undine*.

Siegfried Matthijs founded the Rheinsberg festival in 1991, two years after Germany's reunification. In East Germany he ranked as a leading composer and protégé of Walter Feinsteiner. Meanwhile, Rheinsberg has admirably

production, directed by Martin Duncan and conducted by Richard Armstrong, provides an unusual opportunity to see the opera in the context originally conceived for it as an operatic divertissement, to be performed in a version of Molière's play *Le Bourgeois Gentilhomme*, at the Edinburgh Festival Theatre; Aug 20, 22

## ■ LONDON

## CONCERTS

BBC Proms, Royal Albert Hall

Tel: 44-171-589 8212

BBC Scottish Symphony

Orchestra and the Helsinki

University Male Chorus conducted

by Osmo Vänskä in works by

Sibelius. Including the London

premiere of newly rediscovered

tone-poem *The Wood Nymph*,

with soprano Kari Tihonen and

baritone Jukka Rasilainen; Aug 20

London Philharmonic

Orchestra conducted by Sir

Charles Mackerras in works by

Schubert and Brahms, part of the

Proms anniversary celebrations

of both composers; Aug 21

Royal Philharmonic Orchestra;

conducted by Daniel Gatti in

works by Schubert, Beethoven,

Mozart and Hindemith. With

soprano Amanda Roocroft and

pianist Malcolm Martineau;

Aug 22

EXHIBITION  
National Gallery  
Tel: 44-171-839 3321  
Seurat and The Bathers: places

Seurat's great "Bathers at Asnières" in a context provided by his own earlier work, and studies and drawings for the painting, as well as works by predecessors who influenced him, and by his impressionist contemporaries; to Sep 28

## ■ LUCERNE

## CONCERTS

International Festival of Music

Tel: 41-41-210 3080

Andrés Schiff: recital of

Schubert piano sonatas; at the

Union; Aug 21

Andrés Schiff: Yuiko

Shikawa and Miklós Perényi

perform Schubert's Trio in E

major for piano, violin and cello;

at the Union; Aug 22

Bartók: Oliver Widmer;

performs works by Schubert,

accompanied by András Schiff; at the

Union; Aug 20

Ensemble Musica Miserata:

conducted by Wielfried

Marx in a programme of

early and Renaissance music; at the

Union; Aug 22

London Sinfonietta: conducted

by Mark Stenz in works by

Rihm, Benjamin and Kuusinen;

with soprano Rosemary Hardy; at the

von Moos-Stahl-Halle; Aug 21

Royal Philharmonic Orchestra:

conducted by Carl Davis in a

programme including

Tchaikovsky's 1812 Overture and

popular film themes; at the

von-Moos-Stahl-Halle; Aug 20

EXHIBITION  
National Gallery  
Tel: 44-171-839 3321  
Seurat and The Bathers: places

■ NEW YORK

EXHIBITIONS  
Museum of Modern Art

■ SALZBURG

OPERA  
Salzburg Festival  
Tel: 43-662-844501

■ SANTA FE

OPERA  
Santa Fe Opera  
Tel: 1-505-988 5900

■ VERONA

OPERA  
Arena di Verona  
Tel: 39-45-800 5151

■ EDINBURGH

CONCERTS  
The Edinburgh Playhouse  
Tel: 44-131-473 2000  
San Francisco Ballet: second

programme opens with *Drink To Me Only With Thine Eyes* by Mark Morris to music by Virgil Thomson, followed by *The Dance House* by David Bintley, to music by Shostakovich and Criss-Cross by Helgi Tomasson to music by Scarlatti and Schoenberg; with the Scottish Chamber Orchestra conducted by Emil de Cou; Aug 20, 22

EXHIBITION  
National Gallery  
Tel: 44-171-839 3321  
Seurat and The Bathers: places

■ NEW YORK

EXHIBITIONS  
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Santa Fe Opera  
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## COMMENT &amp; ANALYSIS



Edward Mortimer

## Moment of truth

The international community is at last beginning to flex its muscles in Bosnia. It must prepare for a long haul

The meeting of the Bosnian Peace Implementation Council in Sintra, Portugal, on May 30, was not much noticed at the time. But with hindsight it is being seen as a turning point in the history of the Dayton peace agreement: the moment when the elusive "international community" at last came together and decided to take its self-appointed task of reintegrating Bosnia seriously.

At the meeting, the western allies formally ordered Bosnia's elected authorities to reform property laws, pass citizenship laws, restructure police forces, and hand over indicted war criminals. The allies gave a warning that aid would henceforth be conditional on Bosnian compliance, and they threatened other sanctions - denying visas, for instance, to those who had contacts with war criminals, and breaking off contact with Bosnian embassies abroad if there were no agreement to appoint new ambassadors by August 1.

That last decision had some perverse consequences. The previous ambassadors, chosen by the mainly Moslem government, were at least nominally, committed to the ideal of a united, multi-ethnic Bosnian state. The new ones have been chosen after horse-trading between the three ethnic leaderships.

Thus in Paris Nicola Kovac, an idealistic Serb who refused to accept partition, may be replaced by Aleksa Bihac, a strong supporter of partition who replaced his friend Radovan Karadzic as acting leader of the Serb Democratic party last summer.

Dayton remains an uneasy compromise between consolidating the carve-up into ethnic entities and forging or re-forging links between those entities. But whereas before Sintra the second aspect was little

more than rhetorical, since then it has looked more serious.

The most spectacular sign of this was "Operation Tango" on July 10, when British special forces serving with Sfor (the Nato-led stabilisation force) moved against two leading Serbs accused of genocide: Milan Kovacevic, in custody in The Hague, and Simo Driljaca, who was killed after firing on the soldiers who came to arrest him.

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In other words, Mr Westendorp's office would be more difficult - he is heavily guarded - but it is now widely assumed that the US and UK have a plan to get him, which they will act on if he is not handed over.

This demonstration of

military might has strengthened the nerve of the international community's civilian arm in Sarajevo, headed by Carlos Westendorp, the "High Representative". His office has taken an openly interventionist line in the conflict now raging in the Serb half of Bosnia between Mr Karadzic's supporters and those of Biljana Plavsic, the elected president, who has denounced Mr Karadzic for corruption.

Mr Westendorp's office has come down firmly on Mrs Plavsic's side, defending her right to dissolve parliament and denouncing the decision of the Bosnian Serb constitutional court which, under blatant pressure and intimidation, has handed over indicted war criminals. The allies gave a warning that aid would henceforth be conditional on Bosnian compliance, and they threatened other sanctions - denying visas, for instance, to those who had contacts with war criminals, and breaking off contact with Bosnian embassies abroad if there were no agreement to appoint new ambassadors by August 1.

That last decision had some perverse consequences. The previous ambassadors, chosen by the mainly Moslem government, were at least nominally, committed to the ideal of a united, multi-ethnic Bosnian state. The new ones have been chosen after horse-trading between the three ethnic leaderships.

Thus in Paris Nicola Kovac, an idealistic Serb who refused to accept partition, may be replaced by Aleksa Bihac, a strong supporter of partition who replaced his friend Radovan Karadzic as acting leader of the Serb Democratic party last summer.

Dayton remains an uneasy compromise between consolidating the carve-up into ethnic entities and forging or re-forging links between those entities. But whereas before Sintra the second aspect was little

more than rhetorical, since then it has looked more serious.

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## FINANCIAL TIMES

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Wednesday August 20 1997

## Germany's job challenge

Green shoots of economic recovery are sprouting all over continental Europe, with the giant at Europe's heart no exception. Unfortunately, Germany's welcome cyclical recovery may fail to make a significant dent in high unemployment or close the yawning gap between the west and the east.

With inflation subdued and monetary growth well within the Bundesbank's target range, currently low-interest rates look set to continue, which should also keep the D-Mark weak. Mr. Günter Rexrodt, economics minister, forecasts growth at 2% per cent this year, followed by between 2% and 3% per cent next year. This optimism is plausible and is largely shared by the latest economic survey from the Organisation for Economic Co-operation and Development.

Yet so far the growth has been narrowly based, being heavily dependent on the traditional locomotive of exports. The rise in net exports is expected to generate nearly half of the total growth this year. This surge in exports demonstrates not just the benefits of the weak D-Mark, but also the continuing strength of German industry.

Labour productivity rose 8% per cent between January 1988 and February 1997. The resultant decline in unit labour costs, along with the real depreciation of the D-Mark and falling interest rates, has generated a strong improvement in profitability. This combination suggests that investment, particularly sluggish in this recovery so far, is set to surge.

Yet the possession of a world-beating export-oriented manufacturing sector will do virtually nothing to resolve Germany's two biggest economic problems: its failure to generate

## UPS settlement

The strike at United Parcel Service was the biggest of its kind in the US for many years, and it almost certainly would not have happened without tight labour markets. In that sense, the strike and the settlement which emerged yesterday are of symbolic importance. But to claim, in the words of the Teamsters union, that the agreement marks an "historic turning point for working people in this country" is fanciful.

It is true that on the evidence so far the union seems to have gained most in the settlement. In particular, UPS has failed to secure a prime objective, which was to replace the Teamster controlled multi-employer pension plan with a scheme just for its own workers.

Its own successes – such as securing a long term five-year contract – look modest compared with the costs in terms of lost business. But there were special features about this dispute which limit its broader significance.

UPS seems to have misjudged the mood of its employees, and of the public. It started off with lots of cash, whereas the union's strike fund was empty.

## Island of ashes

Montserrat is a small island in the Caribbean which once boasted a population of some 11,000, for the most part descendants of Irish emigrants and their slaves. It had an exotic reputation as the Emerald Isle of the Caribbean, with Guinness on tap and beaches of black sand. But it didn't matter very much to the outside world.

Over the past two years, its modest economy, largely dependent on tourism, has been reduced to ashes by the periodic eruptions of its long-dormant volcano. Two-thirds of the population have fled. The remainder have retreated to cramped and insanitary conditions in the north of the island.

What makes Montserrat a little different from most of its neighbouring islands in the Caribbean, apart from the scale of its disaster, is that it is still a British dependent territory, one of the 14 remnants of the British empire still dotted around the globe. And that gives the UK government a special responsibility towards its suffering inhabitants.

Unfortunately, London has been slow to discharge that responsibility with the generosity one might have expected. To be sure, it has dispensed aid totalling some \$41.5m over the

past two years, in emergency relief, long-term aid and straight subsidies to the island's bankrupt budget. Most recently, it granted \$6.5m for prefabricated housing for refugees still on the island. It has done very little to help the impoverished inhabitants leave the island, apart from encouraging them to do so.

The latest upsurge in volcanic activity has persuaded the British authorities to call for a voluntary evacuation, as living conditions for some 4,000 people have become increasingly intolerable. But they may be hesitating to order a total evacuation, because then they would have to pay for it, and look after the resulting refugees. Those who have fled have for the most part thrown themselves on the mercy of their neighbours such as Antigua.

Britain's attitude towards its remaining dependent territories has not been honourable in recent years, since the Conservative government stripped them of their right of UK residence in 1981. On this occasion, the government can and should do better. Last night's announcement of some assistance for refugees to come to Britain is a small step in the right direction.

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# Charge of the heavy brigade

Geoff Dyer explains the implications of Brazil's elephant-sized privatisation programme

In September the country's largest port goes on the block. Last month it was cellular telephones in South America's biggest city. In May it was the turn of the world's largest iron ore mining company. Three snapshots from what is now the biggest privatisation programme in the world: Brazil's.

The state-owned sector of the Brazilian economy used to be known as the elephant: slow-moving, gigantic, and with a thick skin on which swarms of insects fed. The elephant, however, is learning to move a little faster. Hardly a week goes by without some part of a public company being auctioned off for a billion-dollar price tag and, more often than not, to foreigners. Ports and power stations, roads and railways, telephones and transport, are all up for sale.

The impact is being felt across all areas of the economy, not just in the bulging treasury coffers. Brazil's corporate life – both private and public – is being shaken up. An infusion of foreign capital and knowhow is entering the country and crumbling parts of infrastructure are being renovated. In short, it is developing into one of the most important economic events in Latin America this decade.

Brazil dominates the Latin American economy. With an annual gross domestic product of \$755bn, its economy is the eighth largest in the world. It accounts for around half of the region's output and is nearly three times the size of Argentina or Mexico. A dynamic Brazil would benefit the whole continent.

Yet in the 1980s, while most Latin American countries were encouraging foreign and private capital in order to revitalise their stagnant economies, Brazil was persisting with state control and import substitution. Even when it started to reduce tariffs at the beginning of the 1990s, its attitude to privatisation was somewhat ambivalent.

Yet to the party, Brazil is making up for lost time. The sale of electric utilities alone is expected to raise more than \$45bn. That figure is not far short of the proceeds from all privatisations in the rest of Latin America. Citi-bank estimates that asset sales will deliver a total of \$80bn over the next three years. Antonio Kandir, planning minister, claims that Brazil will raise more from privatisations than the UK, Argentina, Mexico, Peru and Chile put together.

To anyone familiar with the Brazilian economy of the 1980s, one of the most revolutionary changes has been the effect on multinational companies. Ten years ago Brazil was virtually a no-go area for new foreign direct investment; now, thanks to the opportunities opened by privatisation, it has become one of the most attractive locations in the world. The trickle of \$2.3bn of investment in 1994, is expected to turn into a flood of up to \$15bn this year. That would be twice as much as went to Mexico last year and more than that invested in all of eastern Europe and the former Soviet Union in 1996.

Foreign companies are responding to long-term investment opportunities. Brazil has nearly 160m people and a sophisticated and (relatively) stable market economy. Yet a number of important industries are extremely poorly developed. Telephone use is one of the lowest in Latin America, for instance.

That makes it more understandable that a consortium headed by BellSouth of the US should have paid R\$2.65bn last month for a cellular phone concession in the city of São Paulo.

In terms of price per head of population, analysts 'Bilhés' this could be the most expensive cellular concession in the world.

Investment like this is providing a needed boost for parts of Brazil's infrastructure. Without an estimated \$6bn a year of new money, the country could face regular power cuts and energy rationing. The government hopes that privatisation will unlock investment and prevent disaster.

It also reckons privatisation will cut the high cost of transport, one of the main contributors to the so-called "Custo Brasil" – the heavy cost of doing business in the country. The port of Santos, its biggest, is notorious as one of the most expensive in the world. When the container terminal is sold off in September, economists think the average tariff per container could fall from \$500 to \$150 in two years.

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Morley byron

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Benjamin Steinbruch is the most obvious winner so far. One of the heirs of the Vicunha textiles business, Mr Steinbruch has used selective investments in privatisations to become one of the country's leading industrialists.

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## BP decides against Greenpeace action

By Michael Peel

British Petroleum yesterday backed down on its threat to seek £1.4m damages from Greenpeace in the face of a hostile reaction from politicians and environmentalists.

The oil company said it would suspend the claim it had lodged on Monday if the pressure group undertook not to interfere with activities connected with BP's oil development at the Atlantic Frontier.

BP had said it was seeking to recover costs it had incurred as a result of the pressure group's recent eight-day occupation of a mobile oil rig at Foinaven, 60 miles west of Shetland.

The Stena Dee was chartered to work at the field but Greenpeace intercepted the platform on its way from Norway. The rig was repeatedly blocked by Greenpeace swimmers and arrived at its destination last Saturday, five days late.

Greenpeace was campaigning against oil exploration in the area as part of its campaign against the burning of fossil fuels, which it says will lead to irreversible climate change.

### Oil company backs down over protest legal threat

BP's announcement on Monday prompted the Green Party to call for an international boycott of BP products. Nikl Kortvelyessy, speaker of the European Federation of Green Parties, said groups in 70 countries would take part in such action.

"Oil companies are determined to drain the planet of its last drop of oil, so we can burn it in the atmosphere, resulting in catastrophic change," she said. "It will be companies like BP who will be on the receiving end of demands for compensation in the future, but the amounts will run into trillions," she added.

Nick Harvey, campaigns chairman of the Liberal Democrats, accused BP of an "unjustified over-reaction".

He said: "This is another example of a major multinational company using its mas-

sive legal muscle to crush legitimate opposition." BP had earlier obtained orders from the Court of Sessions in Edinburgh preventing Greenpeace UK, Sarah Burton, company secretary, Chris Rose, deputy executive director and Jon Castle, captain of the ship MV Greenpeace, from interfering with the company's operations at Foinaven.

Mr Castle will appear at a hearing on Friday to decide whether he was in contempt of court for allegedly breaching previous interdicts connected with the occupation.

The oil company said it believed Greenpeace would observe yesterday's ruling. "BP has never questioned Greenpeace's right to campaign on climate change issues," it said. "We do object to their employing unlawful tactics."

Greenpeace said it had told the court that it would abide by any order but said BP should withdraw the interdicts and the action against Mr Castle and recall a further order which froze the bank accounts of Greenpeace UK.

Editorial Comment, Page 9

## Israel and Lebanon try to halt escalating violence

By Judy Dempsey  
in Jerusalem and  
Roua Khatib in London

Lebanese and Israeli officials yesterday sought to end the escalation in fighting on the Israeli-Lebanese front following a Hezbollah rocket attack on northern Israel yesterday and Monday's shelling of the Lebanese port of Sidon.

Benjamin Netanyahu, Israeli prime minister, warned Lebanon's Hezbollah guerrillas that Israel would respond to attacks on its civilians. But he also said: "The immediate task is to halt the cycle of escalation, which does not serve the interests of any side."

His remarks came after the Shia Hezbollah movement launched two Katyusha attacks on the Israeli border town of Kiryat Shmona.

The attacks were in retaliation for the deaths on Monday of at least six Lebanese civilians in the southern port of Sidon, the first time in two years that Sidon has been hit. Antoine Lahb, the pro-Israel military commander based in the enclave of Jezzine in Lebanon, shelled the port to avenge the death of two youths killed in a roadside attack by Hezbollah guerrillas.

The Israeli Defence Forces denied any involvement in the Sidon attack and added that Mr Lahb's forces had given no warning to Israel.

Raïf Hariri, Lebanon's prime minister, said the escalation in southern Lebanon was the result of Mr Netanyahu's hardline policies on the Middle East peace process. But an aide to Mr Hariri said the Lebanese government believed the situation could be brought under control.

Mr Netanyahu, who visited Kiryat Shmona, appealed to Syria, the main power broker in Lebanon, to curb Hezbollah attacks.

The Lebanese army, which rarely gets involved in military operations against Israel, also shelled Israeli military positions in southern Lebanon on Monday.

The escalation has raised concern over the viability of the 1996 ceasefire agreement that followed last April's 17-day Israeli attack on Lebanon. The agreement bars attacks on civilians from civilian areas and sets up a monitoring group with representatives from the US, France, Israel, Lebanon and Syria to consider complaints. But Lebanon says 27 Lebanese civilians have been killed since the beginning of the year and 91 wounded. Lebanon has now lodged three new complaints with the monitoring committee and was yesterday working to bring forward a committee meeting planned for Thursday.

## THE LEX COLUMN Off the peg

The Hong Kong dollar is the latest participant in south-east Asia's popular game of currency skittles. But China, which seemed the greatest threat to the dollar's peg with the US dollar, now looks like its guarantor. If Hong Kong's handover to China had gone badly, a flood of money out of the Hong Kong banking system could have toppled the peg, despite the US\$80bn of currency reserves behind it. But China is keen to ensure stability and signal to the world the success of its recent conquest. So, if anything goes, it will be Hong Kong banking and property profits, should higher interest rates be required to support the currency for a while.

The future of the HK dollar's peg, however, is no longer just an academic debate. The collapse of the Thai baht has demonstrated the danger of currency pegs. At least Hong Kong does not share Thailand's many ailments, where the dollar link has already done for most manufacturers. Hong Kong has a substantial budget surplus, a strong banking system and no vast pipeline of unwanted office blocks. Nonetheless, it is hard, for both political and economic reasons, to see China wanting two independent currencies for ever. The Hong Kong dollar, arguably destined to be pegged to a free-floating currency, but the Chinese currency will eventually become just that. As Hong Kong continues its integration with southern China, economic cycles will become further entwined and the renminbi, or yuan, will become the only currency to which a peg makes sense.

Suppose BA is right that Mr Branson's motives are mixed: it does not follow that his concerns should be dismissed. Playing the man rather than the ball does not change the fact that the alliance does raise competition issues.

Moreover, BA shareholders should ask themselves why, if Mr Branson has a potential conflict of interest, BA is only now attempting to publicise the fact. For more than a year since the BA-American alliance was announced, Mr Branson has portrayed himself as an uncomplicated competition crusader. For BA to have allowed that, without asking questions, suggests lousy public relations.

### BA/American

Richard Branson, chairman of Virgin, presents himself as the friend of airline competition, but is he? Not if you believe British Airways.

The real threat for the man in the cuddly jumper, the argument runs, could actually be not BA's alliance with American Airlines, but the US government's inevitable *quid pro quo* — the opening up of London's Heathrow airport. Such an explanation of Mr Branson's vociferous opposition to the alliance obviously suits BA. Nevertheless, "open skies" at Heathrow would certainly be bad news for Virgin Atlantic, one of just four US/UK transatlantic airlines currently allowed to fly from London's main hub. Having penetrated this tiny club, Virgin's interest clearly lies in keeping it select. Its privileged sta-

tion was a legitimate one. But BA was probably right to judge that being free to continue its drilling activities unimpeded mattered a lot more than £1.4m damages. After all, this was a company that made \$2.6bn net profits last year. And the potential public relations fall-out from a "Goliath slays David" court battle was enormous — witness the Brent Spar debacle when Shell suffered a "fearful drubbing". More recently, McDonald's scored a spectacular own goal with its legal pur-

suit of penniless activists.

Likewise, in agreeing to abide by the court order, Greenpeace probably also judged discretion to be the better part of valour. It could have survived the damages — last year it had global income of some \$140m. But BA is not the easy target that Shell was over Brent Spar. Not only has it a better environmental record but Greenpeace would have struggled to launch a convincing campaign when there is no *prima facie* environmental threat.

### Laura Ashley

The gap between articulating a strategy and successful implementation can be wide. That is the inauspicious terrain Laura Ashley occupies. When Ann Iverson, chief executive, took over the company certainly needed an overhaul. The

bad merchandise, over-aggressive expansion, all have their roots in Ms Iverson's decision to pursue revolutionary change when something more evolutionary was required. The price is no profit this year. The fear is that the worst may still lie ahead. Improving performance in the US, concentrating on the supply chain, returning to normal pricing — these are all necessary steps, but it is far from clear they can ensure a return to profits next year.

The group will need to make enormous progress if it is not to make a loss in the US. Moreover, personnel changes are likely to disrupt its ranges well into next year, possibly prompting further losses of customers and sales. Ms Iverson will need all her formidable resolve to pull the company out of the hole she has helped dig.

## UPS strike ends after new offer

Continued from Page 1

within the parameters of allowing us to be competitive."

Mr Kelly said the company would be working as hard as it could to win back the business it had lost during the strike, but warned that job losses were probable in the short term.

Bob Brusca, chief economist of Nikko Securities, said it was not yet clear whether the strike marked a turning point in industrial relations.

• The German transport union OeTV has dropped plans for solidarity actions in Germany following the UPS deal.

## Fed holds rates for clearer signs

By Nancy Dunne  
in Washington

The US Federal Reserve yesterday left short-term interest rates unchanged, delaying action until further data gave a clear signal about the strength of inflation and the direction of the US economy.

At 3pm, the Dow Jones industrial average was up 49.24 at 7,852.6.

Confusion abounds about the direction of the economy. Some economists — Alan Greenspan, the Fed chairman, for one — believe productivity has been vastly underestimated in the "New Economy" and this has helped keep inflation in line. Statistic have yet to bear out that theory, although some government economists share Mr Greenspan's view.

Thus far, there is virtually no price inflation, and outright deflation has occurred on the wholesale level with the Labour Department's producer price index falling in July for an unprecedented seventh straight month.

Institutional Strategy and Investment, a New York brokerage, has developed a new Company Survey Index, to measure current economic strength. Its four-week moving average indicates a strengthening in the economy. Jason Trenert, vice president, said this pointed to a Fed tighten-

ing by the end of the year. "In an environment where the inflation data continue to surprise on the downside, at least at the producer level, Mr Greenspan's acute political antennae will surely be telling him that a rate rise will have to be fully justified by a decent run of significantly stronger growth numbers," said HSBC Group, the international banking and financial services organisation.

Much depends on the continued strength of retail sales. The outlook is cloudy because real earnings fell 1 per cent, seasonally adjusted in July, ending the quarter with an anaemic 0.2 per cent net rise and a 0.8 per cent annual rate.

In his weekly commentary, Mr Bruce Steinberg of Merrill Lynch, the New York investment bank, predicted that the Fed would hold monetary policy steady for the rest of the year. Analysts at Goldman Sachs said they anticipate "only one additional tightening move of 0.25 percentage points this year".

Ed Yardeni of Deutsche Morgan

Grenfell yesterday said it

would be October before the

market received clear signals

about the economy, because

August and September figures

would be "messed up" by the

fall-out of the now-resolved

strike at United Parcel Service.

World stocks, Page 28

## Elf discovers oil off Angola

Continued from Page 1

of the well yet," said an oil analyst at a French brokerage. "The discovery could increase Elf's known reserves by up to 10 per cent, which would imply a share price of FFr850 by next year."

Elf said it did not know how soon exploitation could start. Girassol is due to start production in 2000 and expected to produce 200,000 barrels per day. Elf said its objective for Dalia's output was "of the same order of magnitude".

It will be hot in Iberia.

Continued from Page 1

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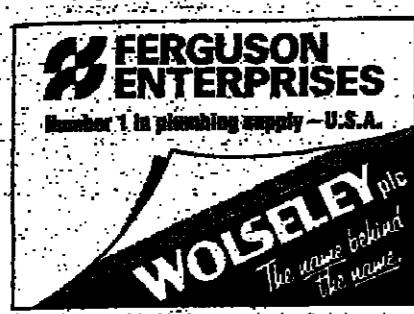
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# FINANCIAL TIMES COMPANIES & MARKETS

Wednesday August 20 1997

Week 34



## IN BRIEF

### OMV doubles its profits to \$241m

OMV, Austria's biggest industrial group, more than doubled its earnings before interest and tax to Sch3.1bn (\$241m) in the first half of 1997. The result helps explain why the oil and gas group has been the year's top performing big share on the Austrian stock market. Page 12

**BAA admits to rail link cost rise**  
BAA, the British airports operator, said the cost of building its new Heathrow Express rail link from London's Paddington station would be much higher than earlier estimates. Construction costs would be about £240m (£700m) by the time the project was completed in June. Page 12

**Eldorado backs out of Gencor deal**  
Eldorado, the Canadian gold mining company, has withdrawn from a deal to buy mining interests in Ghana and South Africa from Gencor, the Johannesburg-listed precious metals group, giving more evidence of the effect the weak gold price is having on the world market. Page 14

**Atletico Madrid may seek stock listing**  
Atletico Madrid is "ready to listen" to proposals from investment bankers to make it the first of Spain's first division football clubs to seek a listing, according to Alvaro Gomez, its finance director. He said a flotation would be relatively easy since the club was already constituted as a limited company. Page 12

**Acquisition aids Handelsbanken surge**  
Svenska Handelsbanken, Sweden's largest bank, posted a 28 per cent jump in interim operating profits, helped by new business from its SKr2.8bn (\$3.87bn) acquisition of Stadsbygget, the mortgage lender. Page 12

**Canon Sales posts record first half**  
Canon Sales, which distributes the products of Canon, the office equipment and camera manufacturer, reported record first-half profits and sales. Sales were ¥405.36bn (US\$44bn), up 10.8 per cent from the previous year. Page 12

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## Market Statistics

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|---------------------------|-------------------|----------------------------|-------|
| Annual reports service    | 22,23             | FTSE Actuaries share index | 24    |
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## Chief price changes yesterday

|                                        | PARIS (FTPF) |        |                  |       |        |
|----------------------------------------|--------------|--------|------------------|-------|--------|
| Deutsche Bank                          | 125.1        | + 4.5  | BNP              | 261.8 | + 11.8 |
| Habib Bank                             | 151.5        | + 6.5  | Desfosses        | 368.5 | + 10.5 |
| Hertz                                  | 120.8        | + 1.8  | Elf Aquitaine    | 685   | + 38   |
| Holiday Inn                            | 120.4        | + 2.1  | Perrier-Jouet    | 308.7 | + 1.7  |
| Porsche                                | 2520         | + 100  | Prudential       | 510   | + 10   |
| Volkswagen                             | 1367         | + 22   | Telecom Italia   | 372.5 | + 14.7 |
|                                        |              |        |                  |       |        |
| FRANKFURT (DAX)                        |              |        | TOKYO (Yen)      |       |        |
| Deutsche Bank                          | 356          | + 3    | Aoyama Trading   | 3650  | + 260  |
| Commerz 2000                           | 329          | + 23   | Citibank         | 974   | + 48   |
| West Capital                           | 514          | + 24   | Yasuda, Yasuda   | 352   | + 36   |
| Faile                                  |              |        |                  |       |        |
| Beijing Yutai                          | 10%          | - 1.8  | Hanes Inc        | 8800  | - 370  |
| Comprehensive                          | 11           | - 14   | Hanjin           | 360   | - 22   |
| Edmunds Car                            | 1414         | - 16   | H&M              | 524   | - 51   |
|                                        |              |        | H&M              | 524   | - 51   |
| LONDON (FTSE)                          |              |        | HONG KONG (HKEx) |       |        |
| Deutsche Bank                          | 47%          | + 6%   | Pauls            |       |        |
| Gates                                  | 225          | + 20%  | Amey Prop        | 855   | - 40   |
| Parly                                  | 533          | + 41   | Cartier Fin A    | 1335  | - 68   |
| Scots                                  | 515          | + 35   | Cartier Fin B    | 1725  | - 425  |
| Faile                                  |              |        | Cartier Fin C    | 1725  | - 425  |
| Alpha Del                              | 90           | - 10   | Hedgeworth Land  | 62.75 | - 15   |
| Prudential                             | 110          | - 16%  | Hutchinson Wharf | 7525  | - 450  |
|                                        |              |        | HONG KONG (HKEx) |       |        |
| TORONTO (TSX)                          |              |        | Hanes            |       |        |
| Deutsche Bank                          | 14.75        | + 1.75 | Crown Seal       | 14.75 | + 1.25 |
| London Int'l                           | 33.80        | + 6.55 | David & House    | 30.75 | + 2.75 |
| Macmillan Int'l                        | 25           | + 3    | Tim Horton       | 38.5  | + 3.5  |
| MetLife                                | 11           | + 1    | Tim Horton       | 74    | - 8    |
| Tokio F&A                              | 0.7          | + 1.0  | Ying Yang Elec   | 68    | - 7    |
| Faile                                  |              |        | Ying Yang Elec   | 68    | - 7    |
| Met. Corp. Int'l                       | 3.00         | - 0.75 | Yulon Maritime   | 29.50 | - 1.25 |
|                                        |              |        |                  |       |        |
| New York and Toronto prices at 12.30am |              |        |                  |       |        |

By Clay Harris and Alan Cane in London

## Concession on access to UK network

and chief operating officer - to speed up approval of the merger.

The concession on access for foreign carriers to the UK telecommunications network will delight AT&T and other operators which complain they are put at a disadvantage by Britain's competition policy. MCI's offer, made with BT's knowledge, supports the US company's repeated pleas to the FCC - including an appeal by Mr Tim Price, its president

then, than the FCC would be entitled to block BT's calls to the US via MCI.

The urgency with which MCI is seeking approval is further evidence that the US company does not expect BT to seek a re-negotiation of the merger's terms. The deal was called into question last month after MCI - the second largest US long-distance operator - revealed that its expansion plans in the local telephone market would lose \$300m next year.

Although the FCC has no direct interest in the value

of the offer, analysts and MCI investors believe it unlikely that the US company would press the agency, obliging it to work overtime during August, only to announce within weeks that the merger was to be delayed until revised terms could be approved by groups' shareholders.

The FCC does not plan to hold a formal meeting to approve the deal, but will send the necessary documents to commissioners to be signed.

MCI's routine 10-Q quarterly

report filed last week with the US Securities and Exchange

Commission disclosed no

## Bayer up on back of chemicals recovery

By Graham Bowley  
in Frankfurt

Bayer, the German chemicals and drugs group, overcame a drop in prices and higher than expected extraordinary charges to report a strong rise in profits and sales in the first half of 1997.

The group surprised investors with the strength of the recovery at its chemicals business, following cost-cutting and restructuring to help turn the division around.

Stronger demand in the Americas combined with the weakness of the D-Mark to fuel an 11 per cent increase in overall sales to DM27.4bn (\$15.05bn), in line with analysts' expectations.

The group repeated its forecast for sales to exceed DM50bn in 1997. It said that earnings would be higher than in 1996 after revealing that net profit rose 13 per cent in the first half of the year to DM1.7bn, helped in part by a lower tax rate.

Bayer shares, which fell sharply in early trading, recovered to end up DM1.45 at DM71.45.

Analysts said investors were initially disappointed by the pre-tax income increase of 2.5 per cent, to DM2.8bn, but were reassured by the big rise in cash flow to DM3.2bn, an increase of 18 per cent.

The group's healthcare business operating result disappointed, falling to DM1.64bn in the first half of last year. This was put down to higher than expected research and development charges and marketing costs in the US.

The chemicals division, which has been lifted by a cost-cutting deal with its workers in Germany in return for job guarantees, posted a 52 per cent rise in the operating result to DM245m.

Analysts were impressed by the resilience of the polymers division - the group's largest business segment - in the face of sharp declines in selling prices and higher raw material costs.

Ronald Köhler, chemicals analyst at BHF Bank in Frankfurt, said Bayer was now well placed for the second half of 1997. "Bayer is a good long-term investment still, especially due to good healthcare and pharmaceutical products which are in the pipeline," he said.

## Armani group restructures



Moves by fashion designer Giorgio Armani have prompted speculation that he may attempt a stock market flotation

Picture: Popperfoto

By Alice Rawsthorn in London

Giorgio Armani, the Italian fashion designer who dresses stars such as Jodie Foster and Eric Clapton, has unveiled plans to restructure his business interests, fuelling speculation that he may stage a stock market flotation.

The rumours of an Armani share issue follow last month's murder in the US of Mr Armani's long-time rival, Gianni Versace, who had planned to take his company public next spring. Ralph Lauren, the US fashion designer, staged a successful flotation in New York earlier this summer.

The agreement includes a provision that Royal receive a termination fee if London Life supports a competing offer.

The bid comes amid a wave of consolidation in Canada's financial sector, after a decade of financial deregulation which has resulted in several big Canadian banks moving to share systems and procedures with the London group. Royal Bank would not be able to create the same efficiencies.

Royal Bank would make no immediate comment beyond saying that under the terms of its offer, it must simply match a competing bid within three days.

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## COMPANIES AND FINANCE: EUROPE

## Acquisition aids Handelsbanken surge

By Greg McIvor  
in Stockholm

Svenska Handelsbanken, Sweden's largest bank, yesterday posted a 26 per cent jump in half-year operating profits, helped by new business from its SKr23bn (\$2.6bn) acquisition of Stadshypotek, the mortgage lender.

The bank said loan synergies from the deal had been greater than expected in the first six months. Cross-selling of bank loans to Stadshypotek's customers had far exceeded expectations and compensated for an anticipated fall in mortgage lending volumes.

Handelsbanken, which acquired Stadshypotek in February, was braced to lose some of its expanded market share after the purchase because not all Stadshypotek's customers were expected to stay with the new group.

But Arne Martensson, Handelsbanken's chief executive, said the growth of bank

loans to Stadshypotek customers suggested the expanded group's share of total Swedish lending was unchanged during the second quarter, at 30.4 per cent.

The synergy benefits helped to lift Handelsbanken's net interest income from SKr1.6bn to SKr1.5bn. Bank loans have a higher average margin than mortgage lending.

The results cheered investors as Handelsbanken's most-traded A shares rose SKr25m, or 0.1 per cent of total lending.

Handelsbanken's total lending increased by SKr9bn in the second quarter, mainly owing to Stadshypotek. Excluding the acquisition, the margin between deposit and lending rates was largely unchanged.

The strong advance in operating profits, from SKr3bn to SKr3.5bn, was almost entirely due to a sharp decline in bad loans.

Net loan losses fell 74 per cent, from SKr85m to SKr22m, or to 0.1 per cent of total lending.

Excluding credit losses, profits rose only 1 per cent, from SKr3.56bn to SKr4.01bn. Earnings per share climbed from SKr9.70 to SKr12.38.

Mr Martensson predicted overall lending growth would remain slow. He reaffirmed previous forecast that Stadshypotek would have a SKr1.5bn positive impact on full-year profits.

Reflecting an increasing tendency for Scandinavian banks to enter each other's territory, Handelsbanken is

planning to open two new branches this year in Norway, Finland and Denmark, in addition to six new Swedish branches.

The effect of this expansion was seen in Handelsbanken's overheads. Costs rose 19 per cent to SKr1.52 per cent of total income – although 13 per cent of the rise was attributed to the Stadshypotek acquisition.

Handelsbanken's capital ratio was 9.5 per cent against 12.2 per cent at the year end.

## EUROPEAN NEWS DIGEST

## ISS returns to the black

ISS International Services System, the Danish contract cleaning group, yesterday posted first-half net profits of DKr83m (\$11.9m), against a loss of DKr2.22bn last year, when the group was hit by accounting irregularities and other problems at ISS Inc, its US subsidiary, which was subsequently sold. Turnover from the continuing businesses rose 10 per cent from DKr1.23bn to DKr1.35bn. Profits after net finance rose from DKr222m to DKr260m. Earnings per share were DKr1.79.

The group said there was progress in sales and operating profits in all its remaining divisions in Scandinavia, Europe, Brazil and Asia. The balance sheet was also strengthened after last year's problems in the US, with the equity to assets ratio improving from 15.4 per cent a year ago to 21.2 per cent on June 30. Bank debt was cut by DKr300m to DKr1.6bn. A short-term DKr1.25bn facility with Unibank established in January was replaced with a five-year DKr700m facility. The group forecast an increase in sales from organic growth of about 8 per cent this year, and earnings before depreciation are expected to increase by more.

Hilary Barnes, Copenhagen

■ ISRAELI BANKING  
First International rises 23%

The First International Bank of Israel yesterday reported a 23 per cent rise in first-half net income, which it attributed to lower than expected provisions for doubtful debts and a surge in income from securities activity.

First-half net earnings rose from Shk1.1bn last year to Shk1.601m (\$21.5m) this time. Operating and other income grew 16.3 per cent to Shk257.5m, as the bank gained from the rise in turnover and prices on the Tel Aviv Stock Exchange, as well as an increase in foreign currency and credit card activity.

Total assets grew 18 per cent to Shk34.7bn. Total assets were Shk31.7bn for the whole of 1996. Provisions for doubtful debts were Shk34.4m, compared with Shk1.3m during the first half of 1996. Daniella Flinn, analyst at Ilanot-Batnach Investment, said the small provisions helped boost growth as the bank continued to tap the business sector rather than the retail market as its main customer base.

Judith Dempsey, Jerusalem

■ DENMARK  
BG Bank jumps 47%

BG Bank, Denmark's third ranking bank, increased first-half pre-tax profits by 47 per cent from DKr1.27m to DKr1.25m (\$150m), and net profits rose from DKr1.21m to DKr1.06m. Return on equity capital rose from 25.5 per cent to 36.5 per cent and earnings per share from DKr1.49 to DKr1.52. The bank improved net interest earnings by DKr15m to DKr3.14m.

Gains on the value of securities held rose by DKr1.61m to DKr2.8m, and loan loss provisions were cut by DKr12m to DKr1.75m, about 0.3 per cent of lending commitments.

## Hilary Barnes

■ FLOORING MERGER  
Tarkett wins US approval

Tarkett, the German floor covering company, said yesterday it had won US regulatory authorities' approval for its merger with France's Sommer Alibert. Tarkett plans to merge its floor covering business with Sommer Alibert to create Tarkett-Sommer, which would become a world leader in this segment with worldwide annual sales of DM2.6bn (\$1.4bn), 27 plants and 8,800 employees. Armstrong World Industries, a rival US company, had sought to block the merger deal. Tarkett said it was seeking merger approval from German authorities.

The merger, announced in May, involves Sommer Alibert taking a 60 per cent stake in Tarkett in a deal valuing Tarkett shares at DM22.75.

Reuters, Frankfurt

## ■ INSURANCE

## Life arm lifts Trygg-Hansa

Strong investment returns and growth in life assurance helped Trygg-Hansa, the Swedish insurer, lift first-half profits by 42 per cent. Pre-tax profits advanced from SKr1.5bn to SKr2.1bn. Gross premiums rose from SKr6.98m to SKr8.4bn.

Income from asset management and other investment sources climbed from SKr1.8bn to SKr2.2bn, amounting to 11.4 per cent of the value of managed assets. Trygg said the return was mainly because of the performance of its Swedish equities portfolio. Operating profits at the life insurance and savings operations rose from SKr2.5m to SKr1.63m, reflecting strong growth in new unit-linked premiums. These grew from SKr300m to SKr737m. However, operating profits from non-life insurance dropped from SKr3.67m to SKr1.7m.

Greg McIvor, Stockholm

## ■ SWEDEN

## Disposal buoys Trelleborg

Trelleborg, the Swedish mining, metals and rubber group, yesterday reported a rise in half-year pre-tax profits from SKr657m to SKr2.26m (\$260m) on sales up from SKr1.65bn to SKr1.85bn. The figures included a SKr1.3bn gain from the sale of a 55 per cent stake in Trelleborg's Boliden mining division, which has been listed on the Toronto Stock Exchange.

Stripping out exceptional items, operating profits rose from SKr563m to SKr1.73m. The improvement was ascribed to lower raw material costs and reduced production costs, as well as currency shifts. Earnings were slightly below market expectations, but Trelleborg's most-traded B shares closed unchanged at SK127.

Boliden's operating profits rose from SKr385m to SKr311m on turnover down from SKr4.3bn to SKr3.8bn. Trelleborg said lower production costs outweighed lower revenues. Profits were helped by higher zinc prices in the second quarter, stable copper prices and a stronger US dollar.

Comments and press releases about international companies coverage can be sent by e-mail to [international.companies@fco.com](mailto:international.companies@fco.com)



Juninho: \$20m consolation for the club after failing to win a title in the 1996-7 season

By David White in Madrid

Atlético de Madrid, ever sensitive about being known as the Spanish capital's "other" football team, is set to recapture the limelight from its rival Real Madrid – if not in the stadium, then in the stock market.

The club is "ready to listen" to proposals from investment bankers to make it the first of Spain's star-packed first division soccer clubs to seek a listing, according to Alvaro Gómez, finance director. "It could be a great company," he said.

Atlético won a "double" last year, taking both the Spanish league and cup titles, each for the ninth time. As consolation for failing to win a title in the 1996-7 season it has turned its losses into a provisional Pta400m (\$2.6m) annual profit and outbid Tottenham Hotspur to sign Brazilian mid-fielder Juninho from Middlesbrough for \$20m.

An investment banker familiar with Atlético yesterday warned the club would not be ready to join the stock market for some time. "It's completely unfloatable in its present form," he said, referring to the complex state of the club's finances.

But Mr Gómez said a flota-

tion would be relatively easy for Atlético, since it was already a limited company, with the majority in the hands of one shareholder – Jesus Gil y Gil.

Mr Gil Marin claimed Atlético had received a Pta15bn offer from an unidentified private British investor for a 25 per cent holding, indicating a total value of Pta80bn. A decision on whether to press ahead with the flotation is due in the autumn.

The Spanish clubs likely to have the strongest investor appeal – Real Madrid and Barcelona, both with huge memberships and high international profiles – would have to convert into limited companies before contemplating flotation.

Most other first division clubs became "joint-stock sporting companies" under a 1989 government plan to help them rebuild their finances.

Juan Onieva, Real Madrid treasurer, dismissed speculation about possible stock market ambitions. "This club does not belong to its managing board but to its members," he said.

Barcelona has also denied contemplating a flotation. But Josep Lluís Núñez, chairman, has said that if it did it would be worth at least Pta80bn.

NatWest Markets, the

| CONSOLIDATED INCOME STATEMENT                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |       | Year ended 30 June 1997 | Year ended 30 June 1996 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------------------------|-------------------------|
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Rm    | Rm                      | Rm                      |
| Revenue                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |       |                         |                         |
| Income from investments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 312   | 312                     |                         |
| Interest received                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 103   | 52                      |                         |
| Profit from zinc smelting                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 111   | 49                      |                         |
| Surplus on realisation of investments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 87    | 84                      |                         |
| Income from fees and other sources                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 192   | 173                     |                         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 805   | 673                     |                         |
| Expenditure and amounts written off                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 697   | 209                     |                         |
| Administration, technical and general                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 156   | 135                     |                         |
| Interest paid                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 33    | 18                      |                         |
| Exploration and project investigation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 52    | 36                      |                         |
| Amounts written off                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 456   | –                       |                         |
| Profit before tax                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 108   | 464                     |                         |
| Tax                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 71    | 35                      |                         |
| Profit after tax                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 37    | 429                     |                         |
| Minority shareholders' interest                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 50    | 35                      |                         |
| Preference dividends                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | –     | 15                      |                         |
| (Loss)/Profit attributable to ordinary shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | (13)  | 381                     |                         |
| Unappropriated profit brought forward                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 6     | 6                       |                         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | (7)   | 387                     |                         |
| Less: Dividends declared                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | (13)  | 381                     |                         |
| Interim 80c (80c)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 234   | 214                     |                         |
| Final 150c (140c)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 81    | 78                      |                         |
| Transfer (from)/to reserves                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | (247) | 136                     |                         |
| Unappropriated profit carried forward                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 6     | 6                       |                         |
| (Loss)/Earnings per share – cents                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | (14)  | 393                     |                         |
| Headline earnings per share – cents                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 230   | 220                     |                         |
| Dividends per share – cents                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 1.8   | 1.8                     |                         |
| NOTES:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |       |                         |                         |
| 1. Headline earnings.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |       |                         |                         |
| Headline earnings are stated after the exclusion of the amounts attributable to members in respect of the surpluses on the realisation of strategic investments and amounts written off investments. These earnings increased by approximately nine per cent year on year largely as a result of an excellent operating and financial performance by the Group's zinc smelting operation and higher interest receipts.                                                                                                                 |       |                         |                         |
| 2. Amounts written off.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |       |                         |                         |
| As the market price of the shares in Northern Platinum Limited had traded at below the carrying value of the investment for an extended period, the carrying value has been written down to the market value at 30 June 1997.                                                                                                                                                                                                                                                                                                          |       |                         |                         |
| 3. Investments.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |       |                         |                         |
| Major investment transactions during the year included the sale of shares in Sesa Limited and Liberty Life Association of Africa Limited and the purchase of Kiof Gold Mining Company Limited.                                                                                                                                                                                                                                                                                                                                         |       |                         |                         |
| 4. Conversion of Convertible Redeemable Cumulative Preference Shares of 5 cents each.                                                                                                                                                                                                                                                                                                                                                                                                                                                  |       |                         |                         |
| In accordance with the conditions of issue, the holders of 4,346,353 preference shares, representing the entire issued preference share capital elected to convert their preference shares into a like number of ordinary shares of 5 cents each on 30 September 1996.                                                                                                                                                                                                                                                                 |       |                         |                         |
| 5. Negotiations with New Africa Investments Limited.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |       |                         |                         |
| As indicated in recent cautionary announcements issued jointly by this company and Driefontein Consolidated Limited ("the companies"), discussions regarding the possible disposal of the companies' investment in Asteroid Limited and New Africa Investments Limited are continuing.                                                                                                                                                                                                                                                 |       |                         |                         |
| 6. Deelkaf Gold Mining Company Limited.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |       |                         |                         |
| An agreement regarding the integration of the operations of Deelkaf Gold Mining Company Limited and Elandstrand Gold Mining Company Limited by means of a scheme of arrangement has been concluded. It is expected that the merger will, with the consent of shareholders and the sanction of the scheme by the High Court of South Africa, be implemented by the end of October 1997.                                                                                                                                                 |       |                         |                         |
| 7. Gold Fields Property Company Limited.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |       |                         |                         |
| The company, through its wholly owned subsidiary Gold Fields Mining and Development Limited and its associated companies New Wits Limited and The National Trust of Africa Limited, has concluded an agreement for the disposal of its aggregate 43.15% shareholding in Gold Fields Property Company Limited to Rand Leases Properties Limited for a total consideration of R48.51 million which is equivalent to R1.1 per share. The sale is conditional upon ratification by the purchaser's linked unit holders in general meeting. |       |                         |                         |
| DECLARATION OF FINAL DIVIDEND                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |       |                         |                         |
| Dividend No. 99 of 150 cents per ordinary share in respect of the year ended 30 June 1997 has been declared in South African currency, payable to members registered in the books of the company at the close of business on 5 September 1997.                                                                                                                                                                                                                                                                                         |       |                         |                         |
| Dividends will be electronically transferred to members' bank or building society accounts on 1 October 1997 or, where this method of payment has not been mandated, dividend warrants will be posted to members on 30 September 1997.                                                                                                                                                                                                                                                                                                 |       |                         |                         |
| The standard conditions relating to the payment of dividends are obtainable at the share transfer office and the London Office of the company.                                                                                                                                                                                                                                                                                                                                                                                         |       |                         |                         |
| The register of members will be closed from 6 to 12 September 1997, inclusive.                                                                                                                                                                                                                                                                                                                                                                                                                                                         |       |                         |                         |

London Office and Office of  
United Kingdom Register:  
Gold Fields Corporate Services Limited  
Greenco House  
Francis Street,  
London SW1P 1DH

By order of the Board  
per pro GOLD FIELDS  
CORPORATE SERVICES LIMITED  
London Secretary  
S.J. Dunstan  
Secretary

months climbed from Sch247m to Sch283m as the carton and packaging divisions operated at full capacity. The recycled paper arm, however, suffered from low prices for waste paper and from oversupply. First-half group sales advanced 4 per cent, from Sch5.295bn to Sch5.528bn. The results were better than analysts had expected, and MM shares climbed 4.6 per cent to Sch7.72 on the Vienna bourse yesterday. Net income in the first six months climbed from Sch247m to Sch283m as the carton and packaging divisions operated at full capacity. The recycled paper arm, however, suffered from low prices for waste paper and from oversupply. First-half group sales advanced 4 per cent, from Sch5.295bn to Sch5.528bn. The results were better than analysts had expected, and MM shares climbed 4.6 per cent to Sch7.72 on the Vienna bourse yesterday. Net income in the first six months climbed from Sch247m to Sch283m as the carton and packaging divisions operated at full capacity. The recycled paper arm, however, suffered from low prices for waste paper and from oversupply. First-half group sales advanced 4 per cent, from Sch5.295bn to Sch5.528bn. The results were better than analysts had expected, and MM shares climbed 4.6 per cent to Sch7.72 on the Vienna bourse yesterday. Net income in the first six months climbed from Sch247m to Sch283m as the carton and packaging divisions operated at full capacity. The recycled paper arm, however, suffered from low prices for waste paper and from oversupply. First-half group sales advanced 4 per cent, from Sch5.295bn to Sch5.528bn. The results were better than analysts had expected, and MM shares climbed 4.6 per cent to Sch7.72 on the Vienna bourse

## COMPANIES AND FINANCE: ASIA-PACIFIC

## Fairfax upbeat despite 15% decline

By Elizabeth Robinson  
in Sydney

John Fairfax, the Australian newspaper group, yesterday reported a 15 per cent fall in annual net profits to A\$73.94m (US\$54.6m) but pointed to a stronger second half that gave encouraging signs for the current year.

Earnings before interest, tax, depreciation and amortisation rose 6.7 per cent to A\$263m, but the second-half result was 20 per cent higher, thanks largely to cost cuts and economic improvement.

The company said the result was "pleasing" in the stagnant economic conditions for much of the year.

Alex Pollak, media analyst at Macquarie Bank, said margins in the second half were 68 per cent, which was

"a tremendous figure". "This sets them up incredibly well for the next 12 months," he said.

Although advertising volumes were 2 per cent lower than last year, the publisher said higher yields resulted in a 2.7 per cent rise in advertising revenue. Increased newsprint consumption was largely offset by lower prices, and Fairfax's newsprint prices will be 9 per cent lower in the current year, according to Mr Pollak.

Earnings per share were 9.28 cents, after 10.90 cents last year.

The dividend is unchanged at 6 cents.

Fairfax may also be on the brink of an ownership test as the federal government reviews laws on company takeovers and on media cross-ownership.

The largest shareholder in Fairfax is Brierley Investments, the New Zealand investment group, which is trying to lift its 20 per cent stake to 24.96 per cent, just under the maximum allowed under current rules on foreign ownership.

Brierley sought approval from Fairfax's other shareholders, as required by Australian takeover rules, to buy the extra 4.9 per cent, which was refused. Instead, Merrill Lynch, the US bank, bought this stake and agreed a cash settlement swap deal with Brierley.

Last week the Australian Securities Commission, the industry watchdog, called this pre-arranged share deal "unacceptable" because it was similar to warehousing – whereby a group holds shares for another – which is illegal in Australia.

The commission called on the takeover panel to review the arrangement and said yesterday that if the panel found in Brierley's favour, it would review the Corporations Law.

Another big shareholder in Fairfax is Mr Kerry Packer's Publishing and Broadcasting with 14.9 per cent, just below the 15 per cent allowed under cross-media ownership rules.

Mr Packer, who controls the Channel Nine television network, has made no secret of his desire to increase his stake in Fairfax. He is seen as building a war chest in anticipation of the government widening ownership rules in line with an election promise. Last month PBL sold a stake in a US print insert group for US\$42m.

Kerry Packer: wants to lift his stake in Fairfax

Photo: AP

## Fears of more to follow

Contractor Daito Kogyo is latest in a series of Japanese collapses

The collapse yesterday of Daito Kogyo, a Japanese contractor, has triggered fears of a fresh wave of corporate failures amid sluggish private demand and weak economic conditions.

Daito Kogyo is Japan's sixth listed company to go bankrupt this year and the third general contractor to fail in just six weeks.

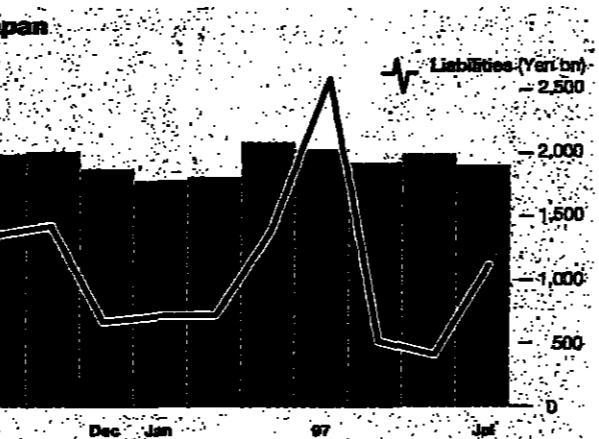
The company filed yesterday for court protection from creditors with liabilities of Y15.5bn (\$1.32bn), putting it among the largest failures of listed companies this year. Tokai Kogyo, another contractor, collapsed in July with debts of Y51bn, and Tada Construction failed two weeks later with liabilities of Y17bn.

Among other high-profile failures were that of Kyotaro, a sushi-chain operator, with debts of Y101bn, and three private financial institutions affiliated to Nippon Credit Bank. The three non-bank institutions, including Crown Leasing, collapsed in April with liabilities exceeding Y20,000bn following NCB's decision to introduce a sweeping restructuring.

Daito Kogyo's failure was announced after the close of trading on the Tokyo Stock Exchange. The company was among about half a dozen contractors known to be in difficulty, but had received emergency loans this year from Sakura Bank, its main bank, and other financial institutions. TSB officials said last night that Daito Kogyo would be delisted on November 20.

Analysts expect the news to be a drag on the troubled market and to severely hit construction-related issues. The sector is still reeling from the sell-offs triggered by last month's failures and the government's move to cut public works spending.

Since July 4, when Tokai Kogyo's collapse was announced, construction stocks have declined more





# Kvaerner disappoints with NKR840m

By Ross Tieman

Kvaerner, the Norwegian engineering group headquartered in London yesterday announced first-half pre-tax profits of NKR840m (\$111.3m) substantially below expectations.

Shares in the group, which acquired UK construction conglomerate Trafalgar House last April, closed down NKR27 at NKR431, a slide of 5.8 per cent.

The group's profits, on

sales of NKR 331bn (£2.7bn), were bolstered by NKR 324m (£26.3m) from the sale of properties.

Erik Tonseth, executive president, blamed the poor performance on a rise in working capital as the company increased output during the half to June 30. Debt increased by NKR 500m to NKR 16.5bn (£1.3bn), a debt to equity ratio of 2.4.

He promised a renewed drive to reduce working capital and enhance margins.

The group's profits, on

"The underlying trading performance of the group is improving but is still not satisfactory," he said. "We are convinced we are going towards better times."

Erik Storelv, analyst at Enskilda in Oslo, said the cash outflow was compounded by big cost overruns in the manufacture of oil and gas exploration and production equipment.

"This is a setback after the first quarter. These results will give ammunition to the

sceptics, but we continue to believe the company will improve margins gradually," he said.

Mr Storelv had expected Kvaerner to achieve pre-tax profits of NKR 1.05bn during the first half, against average forecasts of NKR 1.01. He now expects to trim his year-end forecast from NKR 1.04bn.

Proceeds from Kvaerner's disposal programme should help reduce group debts. Because prices have exceeded expectations, the group now expects to raise NKR 15bn (£1.2bn) from selling non-core assets, and has already achieved NKR 10bn (£814bn). Mr Tonseth said:

However, he declined to discuss progress towards the planned sale of Cunard, the cruise line acquired with Trafalgar. However, he insisted the Trafalgar acquisition had made a profit, after the cost of money borrowed to buy it.

Despite the huge expansion in turnover arising from the NKR4m acquisition of Trafalgar House, shipbuilding continued to provide the bulk of group profits. Pre-tax profits from the group's yards were NKR 525m (£42.7m).

Mr Tonseth said problems with US contracts had hit the construction division, where a nascent recovery in the UK market had yet to feed through. Operating losses deepened to NKR 21m.

## BAA admits increased cost of Heathrow link

By Norma Cohen,  
Property Correspondent

BAA, the airports operator, yesterday acknowledged the cost of building its Heathrow Express rail link from Paddington Station in London would be sharply higher than its earlier estimates.

Russell Wall, finance director, said construction

costs, originally estimated at £200m, (£45m) would be about £240m by the time the project was completed in June. Capitalised interest charges – interest paid on funds borrowed for construction and converted into a lump sum – would add £10m, bringing the total to £250m.

In June 1996, BAA told

analysts the cost of what is its single largest development project had risen to £250m, a figure which has since appeared in press reports.

BAA's senior executives were holding briefings with their largest shareholders yesterday as part of their routine annual meetings with investors.

Mr Wall's remarks follow publication of an analysts' report by stockbrokers Charterhouse Tilney which took the unusual step of attempting to isolate the costs of the Heathrow Express project and issued a "sell" recommendation on the BAA shares as a result.

The markets apparently shrugged off the news and

BAA's shares closed up higher at 47p.

The industry consensus on BAA prospective 1997/98 earnings is £486m. Charterhouse Tilney's earnings estimate is £471m.

Mike Stoddart, analyst at Charterhouse Tilney, calculates that inflation, the buy-out of British Rail's stake in the project and a

losses associated with a tunnel collapse in 1994 account for the greatest portion of the projected cost overruns.

He believes decision to add extra carriages and first class facilities and the construction of additional facilities at Paddington Station are increasing expenditure. However, these are likely to enhance revenues, he says.

## RESULTS

|                                    | Turnover (£m)      | Pre-tax profit (£m) | EPS (p) | Current payment (p) | Date of payment | Dividends corresponding dividend | Total for year | Total last year |
|------------------------------------|--------------------|---------------------|---------|---------------------|-----------------|----------------------------------|----------------|-----------------|
| Althney Trust ♦ 6 mths to June 30* | -                  | 9.55                | 14.45   | 0.4                 | 0.1             | -                                | -              | -               |
| Ben Bailey                         | 6 mths to June 30* | 12.5                | 9.36    | 0.462               | 3.01            | (0.75)                           | 0.6            | Sept 26         |
| Brandon Fire                       | 6 mths to June 30  | 11                  | 9.87    | 0.895               | (0.901)         | 3.1                              | 1.1            | Oct 17          |
| Brown & Jackson                    | Yr to June 30 ♦    | 129                 | 2.651   | (18.1)              | 2.11            | (21.5L)                          | nil            | nil             |
| Craigton's                         | Yr to Mar 31       | 10.1                | 10.1    | 3.71                | (0.17)          | 33.91                            | 1              | nil             |
| Emess                              | 6 mths to June 30  | 85.7                | 83.1    | 2.8                 | (2.4)           | 0.21                             | -              | -               |
| Future Integrated ♦                | Yr to May 31       | 4.9                 | (3.61)  | 0.539               | 5.421           | (3.38)                           | -              | -               |
| Gloucester                         | 6 mths to June 30  | 10.7                | (10.3)  | 3                   | (0.538)         | 9.68                             | -              | -               |
| Heaton                             | 6 mths to June 30  | 88.4                | 65.2    | 4.03                | (2.71)          | 11                               | 1.7            | Nov 28          |
| Parity                             | 6 mths to June 30  | 90.6                | 76.4    | 5.68                | (4.3)           | 8.2                              | 1.8            | Nov 12          |
| Perry                              | 6 mths to June 30  | 10.1                | 4.05    | (4.1)               | 12              | (15.5)                           | 3.45           | Dec 1           |
| Price                              | Yr to Apr 30       | 44.2                | (41.8)  | 3.83                | (3.12)          | 20.3                             | 3.5            | Oct 22          |
| Shires                             | Yr to May 31       | 80.2                | (63)    | 5.76                | (4.28)          | 13.9                             | 3.5            | Oct 15          |

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♦Alm stock. \*Comparatives restated. ♦Comparative figures for 18 months to June 30 1996. After exceptional charge. ♦After exceptional charge. ♦After increased capital. ♦Second interim; makes 2.9p to date. ♦At December 31. ♦Second interim.

## Watmoughs director resigns

By Krishna Guha

Declan Salter, the young chief executive of printing group Watmoughs Holdings, has resigned after pressure from investors angered by the precipitous fall in the company's share price this year. He had been in the job for only eight months.

Mr Salter, who is in his late thirties, has been replaced by Patrick Walker, the 65-year-old chairman and former chief executive – who had planned to retire at the start of next year. The depart-

ture marks the collapse of Watmoughs' plan for an orderly succession. Mr Walker had hand-picked Mr Salter as his heir, grooming him as joint managing director since September 1994.

"I do not regard my job as as long term career prospect," joked Mr Walker. He said he had agreed to step in for up to two years while the group searches for a new chief executive.

Watmoughs has been battered by the strength of sterling, which enabled German printers to undercut its

prices. Shares plunged from 45p in September 1996 to a low of about 18p in July. They rose 4.5p to 26p on yesterday's news.

Analysts had some sympathy for Mr Salter as a "victim of sterling." But they said he had angered investors by giving relentlessly optimistic briefings – only to announce poor figures shortly afterwards.

They added that Watmoughs had made a series of recent blunders – for instance, taking on too many contracts last December.



Brendan Corr  
Paul Davies (left) with David Firth, finance director, millennium time-bomb overhyped

## Parity advances 32%

By Emilio Terazono

Shares in Parity, the computer services group, rose 41p to 533p yesterday as the company announced a 32 per cent increase in interim pre-tax profits.

But Paul Davies, chief executive, tried to talk down expectations of a boost to the business from helping companies sort out their "millennium time-bomb" system difficulties, which has fuelled excitement over information technology companies.

Mr Davies said the problem was "grossly overhyped", and he regarded revenues from millennium-related businesses as a wind-

fall. Although the company's Parity 2000 consultancy set up for millennium projects was seeing increased demand, its revenues were still less than 1 per cent of overall turnover.

"We haven't budgeted for the millennium [projects] although we're in a good position to benefit from them," he added.

Pre-tax profits rose to 25.7m (£9.3m) on sales up nearly 20 per cent to 931m for the six months to June 30. The figures were helped by increased demand for outsourcing systems-related jobs.

The company reported net debt of £2.4m following its £7.4m cash purchase of Dedi-

cate, a Dutch software services group, in May.

Mr Davies said the group's position in Europe had been strengthened and expected growing demand from the Netherlands and Belgium.

Turnover at CSS Trident, Parity's agency business, totalled £15m with operating profit margins at 7 per cent. Parity Solutions, its systems solutions business, saw strong demand for its training and consultancy services. Turnover totalled £20m, with operating profit margins at 9.4 per cent. Eurosoft, the group's overseas business, was affected by the strong pound.

## Ryanair to abandon cargo

By Patrick Stiles

Ryanair, the low-fare Irish airline traded in Dublin and on Nasdaq, is to cease cargo operations from September 14. It said the decision was taken to improve the cost

efficiency of passenger services.

Mr Tim Jeans, commercial director, said returns from cargo did not justify the operational impact it had on turnaround deadlines. On-time departures and cus-

tomer service would be improved by dispensing with it. Ryanair said that loss of cargo income would have an "immaterial" effect on revenues, as it represented less than 0.5 per cent of total turnover.

In addition to these secondary market activities,

Standard Bank London

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**Commerce Asset-Holding Berhad**  
(Company No. 50841-W)  
(Incorporated in Malaysia)

Notice to the Holders of USD10,000,000 1.75 Per Cent Unsecured Convertible Bonds  
Due 2004 (the "Bonds") of Commerce Asset-Holding Berhad ("CAHB" and the "Company")

Adjustment of Conversion Price

Following the announcement by the Company on 5 December 1996 and the Notice to holders of the Bonds dated 16 June 1997, notice is hereby given that as a result of:

- the rights issue of 129,963,880 new ordinary shares of RM1.00 each in CAHB at an issue price of RM6.50 per share on the basis of one (1) new ordinary share for every five (5) ordinary shares held in CAHB at RM0.10 per share on 4 June 1997 ("Rights Issue"); and
- the offer for sale by CIMB Securities Sdn. Bhd. of 81,291,758 Warrants 1997/2002 to the shareholders of CAHB at an offer price of RM1.00 per warrant on 14 June 1997 ("Offer for Sale of Warrants 1997/2002"), each Warrant 1997/2002 entitling the holder to subscribe for one (1) new ordinary share of RM1.00 each in CAHB at a subscription price of RM7.45 per share between 17 June 1997 and 18 March 2002;

the Conversion Price of the Bonds has, in accordance with the Trust Deed dated 26 September 1994 constituting the Bonds, been adjusted from RM6.50 per share to RM6.20 per share will take effect from 6 August 1997.



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Commerce Asset-Holding Berhad  
11 August 1997

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## COMMODITIES AND AGRICULTURE

## Fears of shortages put squeeze on pepper

By Gary Mead

The occasionally bland world of pepper trading is hotting up. Speculators and dealers have spotted an opportunity to squeeze the market, amid fears of shortages of the spice.

International pepper prices have risen to levels not seen for a decade, and some traders are concerned that the peak has not yet been reached.

The price for black pepper, which is in much greater demand

than white pepper, has risen to about \$5,800 a tonne, compared with about \$2,000 a tonne at the start of 1997. White pepper prices have also soared, to about \$7,000 a tonne against some \$3,000 a tonne a year ago.

"The world will never run out of pepper, but we are certainly currently in a situation of a worldwide shortage," said Han Herweyer, of Rotterdam-based traders Man Produc.

Pepper is harvested all through the year, with the five leading

producer countries - India, Vietnam, Indonesia, Brazil and Malaysia - accounting for about 90 per cent of black pepper supplies and cropping the spice in different months. In a typical year the global pepper harvest is about 120,000 tonnes, with the Indian crop accounting for more than

half that.

Some dealers suggest that the current world stock deficit might be as high as 20,000 tonnes. However, pepper can be kept in warehouses for several years without

significant deterioration, and any shortfall is likely to be made up by a drawing-down of stocks, taking advantage of the current high prices.

Traders say that part of the reason for the price spike is India's relatively poor harvest in February-March, when the crop was slightly lower than average, at 55,000-60,000 tonnes, against the more typical 60,000-70,000 tonnes.

India normally keeps 20,000-30,000 tonnes for domestic consumption and exports the remainder. With this year's unusually low crop and concern that next year's might be still lower, speculators have seen the opportunity to drive prices up, particularly with global consumption continuing to grow.

"The situation we are in at the moment is very similar to what prices were like in 1987-88. Those sorts of high prices held for about 18 months, but then pepper again came down from its dizzy heights," said David Marchington, a trader with the London-based firm of Chambers & Knight.

"There is a shortage of pepper, but most of the speculation is focused on fears for India's next crop in early 1998, and it's too early to see what that will be like," he added.

## Fund selling hits aluminium

## MARKETS REPORT

By Kenneth Gooding, Robert Corzine and Gary Mead

The squeeze in the London Metal Exchange's aluminium market could not prevent a 2% per cent fall in the three-month price yesterday as investment fund selling drove it down by \$80 a tonne to \$1,628.

In the morning the LME authorities were carefully monitoring the market as option activity was expected to reach a crescendo. The premium for aluminium for immediate delivery, compared with three-month metal, increased to \$60 a tonne at one point but eased back to \$35-\$45 by the close.

The squeeze in the zinc market was unabated and the premium for immediate delivery, compared with three-month zinc, was more than \$150 a tonne. However, the LME reported that stocks of zinc in its warehouses had fallen by 3,750 tonnes to 377,700 tonnes. Alan Williamson, analyst at Deutsche Morgan Grenfell Securities, said: "Obviously there are some shenanigans going on Zinc should be flying in to the LME."

Zinc for three-month delivery was caught up in the fund selling and closed at \$1,477 a tonne, down \$15.

Copper was again a target of the funds and the price fell to its lowest since December. A key technical support point, \$2,120 a tonne, held firm, however, and three-month copper ended \$17 a tonne down at \$2,145.

Oil prices firmed after a dredger went aground and blocked the shipping channel of Lake Maracaibo, the export route for 100 barrels a day of Venezuelan crude oil.

The accident, near where a tanker was grounded earlier this year, lifted Brent Blend for October delivery to \$19.22 a barrel, up 29 cents on Monday's close, in late trading on London's International Petroleum Exchange.

Crude prices were also bolstered by continuing signs of firm gasoline prices in the US, the world's biggest market. The publication last night after the markets closed of the latest US petroleum inventories was expected to provide the next direction for the market.

On Liffe the November benchmark contract for robusta coffee moved sharply higher, closing at \$1,512 a tonne, up \$59, following a similar renewal of interest on New York's Coffee, Sugar and Cocoa Exchange, where just before midday the September price for arabica coffee was up 6.80 cents to 187 cents a pound.

## East German farms close gap with west

I'm one of those famous 'Red Barons' the media talks about," says Hans Rotermann, chairman of the Agricultural Co-operative Lübstorf, and one of east Germany's former communist farm managers who have successfully made the transition to capitalism - much to the chagrin of their western counterparts, local small-holders and dispossessed former owners.

Until the collapse of communism, Mr. Rotermann headed an "agricultural production co-operative" or LPG, the rural equivalent to the communist state-owned industrial combines. The LPGs were, nominally at least, co-operatives made up of land owned by smallholders and the state.

Today the Lübstorf co-operative in Mecklenburg-Vorpommern, the most agrarian of the five eastern states, runs to 4,600 hectares. This is slightly smaller than the LPG was, but considerably larger than most farms in western Germany. The average farm in the west is only 35 hectares while that in the east is slightly more than 100 hectares.

This marked discrepancy in size, as much a legacy of old quasi-feudal structures which existed east of the Elbe river pre-1945 as the effects of communist collectivist ambitions, is one of the main causes of contention between farmers in the two halves of the country.

Bigger hectarage is considered to guarantee greater efficiency. "We have a significant advantage over west Germany, particularly over southern west Germany," says Hermann Steitz, state secretary in the agriculture ministry in Mecklenburg-Vorpommern and a westerner. "The advantages of size can be seen in the figures for annual income per farm which show that, in spite of structural difficulties, the east is already catching up and in some areas overtaking the west.

For west Germany as a whole the average income per farm is about DM80,000 (\$44,000) a year. In Mecklenburg-Vorpommern the figure is DM62,000, while in the eastern state of Saxony-Anhalt, which has the best soil in Germany, average annual income is some DM90,000.

"When I meet farmers from the west, they tell me that we have already reached a point they have yet to set out for," says Mr. Rotermann. "The ones with small farms are worried that subsidies will be cut, making their business even more difficult."

Mr. Rotermann has other difficulties, most notably those linked to unresolved land ownership. Some 98 per cent of the land in the Lübstorf co-operative is tenanted, mostly from the state or from former owners.

Tony Andrews

The result for Mr. Rotermann is that the costs of "wiping out the advantages of size". Furthermore, banks are unwilling to lend against tenanted land, although the Lübstorf co-operative has been able to use buildings that it owns as collateral for loans.

The co-operative "just about makes a profit", says Mr. Rotermann, but admits this is largely due to the DM8m it receives in subsidies, two-thirds of which come from EU common agricultural policy funds.

One problem affecting nearly all farms in the east is historical debt left over from communist times. In 1990 this stood at DM8bn.

Since then, the federal government has written off DM1.4bn, which was deemed to have been linked to loans for non-agricultural investments, such as the maintenance of country lanes and kindergartens.

Under communism, the LPGs were responsible for maintaining the fabric of rural life as much as they were for fulfilling government-set policies.

Commitments on old debts have already been taken out of the running accounts of farms. "The loans should not be the cause of any bankruptcies," says Otto Bammel, deputy head of the federal ministry of agriculture's Berlin office, which is responsible for the east.

Instead, those farms which make a profit are required to put aside 20 per cent of their debt repayment. One result of this, however, has been that some farms now do their best to ensure that, on paper at least, they do not make a profit.

Both sides are due to meet on August 26, although three previous meetings have failed to yield a consensus.

Frederick Studemann

## Rescue plan for East Rand gold mine

By Mark Ashton  
in Johannesburg

The South African government has pledged to try to save East Rand Proprietary Mines, formerly the world's deepest gold mine, from closure in September.

The mine, which is managed by Randgold, the mining investment company that operates some of the country's most marginal gold mines, employs about 4,500 workers and produces an average of 700kg of gold a month. The government is ERPM's largest shareholder, with about 20 per cent.

Roger Kebble, a Randgold director, said the company had reduced its holding in ERPM to "about zero" and would not renew its management agreement when it expired in September.

But the government yesterday confirmed its intention to try to save the mine. ERPM had already received government loans of R83m (\$8.1m) since 1990 to meet the costs of pumping flood water from the geological basin where it is located.

The government had also guaranteed R252m in loans to another investor, FSAF Investments, to underwrite a portion of a rights issue in ERPM in 1993.

These monies had been reimbursed last year in accordance with the earlier agreement, after which the state had taken possession of FSAF and its interest in ERPM.

Mr. Kebble said a further subsidy of R1m had been offered to ERPM this week.

But he estimated the cost of debt repayment. One result of this, however, has been that some farms now do their best to ensure that, on paper at least, they do not make a profit.

Both sides are due to meet on August 26, although three previous meetings have failed to yield a consensus.

## JOTTER PAD

## CROSSWORD

No. 9,458 Set by DARCY

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## LONDON TRADED OPTIONS

Strike price \$ tonnes — Calls — Puts —

— ALUMINUM

58.70% LME

Sep Nov Sep Nov

1990 42 68 21 68

1991 19 68 48 68

1992 7 48 65 65

125% LME

Sep Nov Sep Nov

2000 219 119 25 83

2100 50 83 46 107

2150 23 74 75 138

2200 1 63 26 59

2250 1 63 22 51

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## LONDON STOCK EXCHANGE

## Wall St rally injects confidence into London

## MARKET REPORT

By Steve Thompson,  
UK Stock Market Editor

The London market's preoccupation with the potential for a further correction faded into the background yesterday after Wall Street's rally overnight and news that the authorities had left German repo rates unchanged.

Already given a big boost at the opening by those factors, London was lifted further by a sparkling opening performance by the Dow Jones Industrial Average, which raced up almost 50 points minutes after the New

York market kicked off yesterday.

Such was the UK market's resurgence of confidence that the FTSE 100 finished the session 79.2 or 1.6 per cent higher at 4,914.2. Other FTSE indices also made rapid progress but were left standing by the pace of the Footsie's recovery. At its best, the FTSE 100 reached 4,918.0, up 88.

The FTSE 250, which has begun to make up ground on the 100 index over recent weeks, moved up 17.2 to close at 4,880.8, having hit a session high of 4,883.0, and the FTSE SmallCap 11.1 to 2,239.7, the best of the day.

London's gain was by no means exceptional when mea-

sured against rises across other European markets. Germany's Dax index was around 2.5 per cent higher and the French CAC 40 index was ahead by around 2 per cent.

Apart from the overwhelming influence from across the Atlantic there were other bullish stories helping to drive London stocks forward.

There was a more than a vague rumour circulating in the market that a £1bn-plus bid was in the offing, and a small share buy-back by Barclays Bank took place, reviving market hopes that other, more substantial buy-back operations might soon be set in train.

There was talk that BG, formerly a part of the old British Gas, might seek permission to buy £1bn worth of its own shares when it announces its interim figures next month.

"The mini-panic over a correction seems to have subsided, for the time being at least," said one marketmaker, although he cautioned that further bouts of extreme turbulence are more than likely until the summer holiday period is over.

"The institutions haven't sold any stock to speak of, and it looks increasingly as if they won't be persuaded to until the big decision-makers return from their summer breaks," he contin-

ued. "Which means that any bouts of uncertainty in the markets will be accompanied by big swings in either direction," he said.

Wall Street's big gain came as dealers forecast no shift in monetary policy by the Federal Reserve's Open Market Committee, which met to decide policy yesterday afternoon. No announcement from the Fed was forthcoming well after London closed for trading.

Turnover in equities at the 6pm cut-off point reached 694.9m shares, well above Monday's pitiful 595.9m shares but still substantially down on levels of recent months.

## Hope for BG share buy-back

By Peter John  
and Joel Kibazo

BG moved forward 1½ to 254p as the market began to speculate that it will launch one of the biggest ever UK share buy-backs.

The company had already signalled it will repurchase stock as part of a balance sheet restructuring, which will also entail a dividend cut from 16p before the demerger to between 8p and 9p for the first set of results in the new form.

But, there is a growing feeling that BG might indicate a repurchase of up to 10 per cent of its stock when it announces its interim figures on September 7.

That is at the top of the range of provisional estimates. It would represent £1bn pouring back into investors' coffers and enable the company to provide real dividend growth of around 5 per cent a year.

The figure has been given weight by NatWest Securities, which has taken a thorough look at the numbers and recalculated its share price target from 245p previously to 280p.

BG said that while it had signalled in June it was considering a repurchase it would not comment on market speculation.

Shell Transport raced

higher, its recent spell in the doldrums coming to a close as NatWest raised its dividend forecast.

The broker has more than doubled its 1998 dividend growth forecast for the Royal Dutch arm to 21 per cent. The change of stance is based on the continued strength of sterling against the Dutch guilder.

Shell is a core holding of most investment institutions, which concentrate on dividend growth rather than higher share values. And the broker says its forecasts "may well exceed the expectations of the US and Dutch markets, which together hold 84 per cent of the stock."

NatWest also says that the recent correction in the share price has less to do with the recent figures and more to do with the 20 per cent outperformance of the shares against the FTSE All-Share index since April. The shares ended 14 up at 430.4p.

News of a big discovery by Elf Aquitaine in west Africa gave a substantial boost to BP, which has a 16 per cent stake in the field.

Announcement of the massive Dalia oil field off Angola followed the recent news of Elf's Girassol find, and highlighted the potential for other US and European oil companies. The new field, with reserves estimated in excess of 1bn barrels, may prove to be the largest west African offshore find so far.

Also, NatWest raised its

shares per share estimate for the company by between 3 and 5 per cent over the next three years. Its new fig-

ures are 52.8p in 1997, 56.1p in 1998 and 57p in 1999. The shares gained 21.4 to 859p.

Monday's statement from catalogue retailer Argos, indicating it had seen an uplift in second-half sales because of the impact of building society windfalls, helped boost the shares yesterday.

They put on 7 to 628.4p, although volume, as in the market as a whole, remained painfully thin.

Argos also reported a 12 per cent decline in interim profits on Monday but an improvement in like-for-like sales has kept leading analysts positive on the stock.

The team at UBS yesterday reiterated its "buy" stance on the shares, saying: "Although the premium sales growth is costing more to achieve these days, the format initiatives and space growth underpin a very solid

medium term outlook. The well versed cost factors should fade next year."

BZW is also a fan of the shares and in a note to clients said: "The reasons to buy Argos remain the same: physical immaturity, an ability to grow like-for-like sales quicker than the opposition, especially in more testing retail environment than currently being seen, and an excellent return on capital, giving strong cash generation despite the pace of investment."

Laura Ashley was once again a talking point after it warned it expected a first-half loss of around 24.5m but was looking to break even for the full year. It intends curbing its store opening programme in the US and is to shed 190 workers at two factories in Wales.

The shares eased to 55.4p, in trade of 3.3m with ana-

lysts continuing to question whether the company is moving in the right direction.

Furniture retailer MPI Furniture closed 4 ahead at 159p, as the shares responded to a recommendation from ABN Amro Hoare Govett.

The broker believes the shares to be "undervalued" given that sales are continuing to come through and the company is likely to perform strongly in the second-half.

Shares in WH Smith appreciated 16% to 375.4p after shareholders at the extraordinary general meeting yesterday approved a special resolution authorising the company to purchase a maximum of 25.5m of its ordinary shares, representing approximately 10 per cent of the company's issued share capital. Break up bid talk also continued to support the stock.

HSBC reversed some of the speculative share price slides of the past few days to close 76p better at £1.765p as Dresdner Kleinwort Benson reiterated its strong buy on the stock and its £23.00 share price target. Dealers said NatWest was also pointing out that the Asian banks were oversold. Standard Chartered lifted 47% to £10.4p.

Barclays lifted 11 to 213.93p as the bank bought back another 1m shares. The Bank bought 1m shares at £13.86 on Monday.

Leading drug stocks registered relief at Wall Street's recovery late on Monday and during UK trading yesterday, Glaxo Wellcome rose 36 to £12.31p and Zeneca 52 to 519.42.

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US buying has been one of the main supporting factors for the shares in recent ses-

sions and the broker was yesterday reported to have downgraded its recommendation on the beverage and confectionery manufacturer to "market perform" from "buy" according to dealers.

Rio Tinto, one of the world's biggest mining companies, dipped 14 to 989.5p. The underlying copper price hit its lowest level since the start of the year.

Turnover in BT was 19m, making it one of the most heavily traded stocks in the market. However, profit-taking left the shares 2 off at 379.4p.

Engineering groups Siebe

and GRK led the list of the Footsie's worst performers yesterday as several engineering stocks retreated.

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## FT 30 INDEX

Aug 19 Aug 18 Aug 17 Aug 14 Aug 13 Yr ago High Low

FT 30 3183.0 3124.3 3143.8 3140.3 3143.8 3141.3 3151.2 3157.4 3124.3

Aug 19 Aug 18 Aug 17 Aug 16 Aug 14 Aug 13 Yr ago

SEAO bargains 42,498 47,921 44,454 44,885 49,231 31,741

Equity turnover (Emt) - NA NA NA NA NA NA

Equity traded (Emt) - NA NA NA NA NA NA

FT 30 since completion: hcp 3225.5 1208957, low 494.2 2606040, base Date 1/7/93

FT 30 daily changes

Open 9.00 10.00 11.00 12.00 13.00 14.00 15.00 16.00 17.00

3138.3 3134.3 3124.8 3143.8 3140.3 3143.8 3141.3 3151.2 3157.4

Aug 19 Aug 18 Aug 17 Aug 16 Aug 15 Aug 14 Aug 13 Yr ago

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Aug 19 Data based on Equity shares listed on the London Share Service.

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Equity turnover (Emt) - NA NA NA NA NA NA



330 pm August 19

## **NEW YORK STOCK EXCHANGE PRICES**

## NYSE PRICES

supplied by Eset, part of F5 Inform

and how for NYSE should be posted from Jan 1 1987.   
where noted, rates of dividend are annual dividends based   
on depreciation. Sales figures are unofficial.   
very low. PE price-earnings ratio six-months. x-new yearly   
dividend or ex-rights. yd-yield. z-codes in last   
expected.

**AMEX PRICES**

3:15 pm August 19

| Stock       | Div.  | P/E               | 52w               | High              | Low               | Close             | Chg/ | P/E       | 52w     | High | Low               | Close             | Chg/              |                   |                   |            |           |      |                    |                    |                    |                    |                   |    |
|-------------|-------|-------------------|-------------------|-------------------|-------------------|-------------------|------|-----------|---------|------|-------------------|-------------------|-------------------|-------------------|-------------------|------------|-----------|------|--------------------|--------------------|--------------------|--------------------|-------------------|----|
|             |       | E 1990s           |                   |                   |                   |                   |      | E 1990s   |         |      |                   |                   |                   |                   |                   |            |           |      |                    |                    |                    |                    |                   |    |
| Stock       | Div.  | P/E               | 52w               | High              | Low               | Close             | Chg/ | Stock     | Div.    | P/E  | 52w               | High              | Low               | Close             | Chg/              |            |           |      |                    |                    |                    |                    |                   |    |
| Stock       | Div.  | P/E               | 52w               | High              | Low               | Close             | Chg/ | Stock     | Div.    | P/E  | 52w               | High              | Low               | Close             | Chg/              |            |           |      |                    |                    |                    |                    |                   |    |
| Adm Jags    | 105   | 24                | 11                | 103               | 105               | -                 | -    | Confab    | 12      | 5    | 63                | 63                | 63                | -1                | -                 |            |           |      |                    |                    |                    |                    |                   |    |
| Altria      | 3     | 2                 | 67                | 63                | 63                | -1                | -    | CrossCat  | A       | 0.32 | 69                | 304               | 61                | 82                | 33                | +1         | CrossCat  | 12   | 16                 | 3008               | 23                 | 28                 | 28                | +1 |
| Altria Inc  | 10    | 5                 | 5                 | 5                 | 5                 | -                 | -    | CrossCat  | B       | -    | 18                | 2                 | 193               | 182               | 182               | -1         | Health Ch | 20   | 20                 | 20                 | 20                 | 20                 | 20                | -  |
| Alpha Ind   | 214   | 14 <sup>1/2</sup> | 14 <sup>1/2</sup> | 14 <sup>1/2</sup> | 14 <sup>1/2</sup> | +1                | -    | CrossCat  | C       | 16   | 49                | 184               | 182               | 182               | -1                | Heico      | 0.10      | 20   | 76                 | 27 <sup>1/2</sup>  | 25 <sup>1/2</sup>  | 25 <sup>1/2</sup>  | -1                |    |
| Am Int Pa   | 4.24  | 6                 | 7                 | 44                | 44                | +2                | -    | Cubic     | A       | 0.38 | 20                | 38                | 26 <sup>1/2</sup> | 27 <sup>1/2</sup> | 27 <sup>1/2</sup> | -1         | Heimst    | 111  | 147                | 182                | 182                | 182                | 182               | +1 |
| AmIntl      | 1815  | 1112              | 1176              | 1176              | 1176              | -                 | -    | Cubic     | B       | -    | 20                | 10 <sup>1/2</sup> | 10 <sup>1/2</sup> | 10 <sup>1/2</sup> | -1                | HymenolA   | 82        | 75   | 71 <sup>1/2</sup>  | 71 <sup>1/2</sup>  | 71 <sup>1/2</sup>  | 71 <sup>1/2</sup>  | -1                |    |
| AmExPl      | 269   | 15 <sup>1/2</sup> | 15 <sup>1/2</sup> | 15 <sup>1/2</sup> | 15 <sup>1/2</sup> | +2                | -    | Cutter    | -       | -    | -                 | -                 | -                 | -                 | -                 |            |           |      |                    |                    |                    |                    |                   |    |
| Amplif-Amer | 90    | 60                | 6                 | 6                 | 6                 | -1                | -    | Da Imc    | -       | -    | 3837              | 5 <sup>1/2</sup>  | 5 <sup>1/2</sup>  | 5 <sup>1/2</sup>  | -1                | InstromCp  | 0.16      | 17   | 81                 | 16 <sup>1/2</sup>  | 16 <sup>1/2</sup>  | 16 <sup>1/2</sup>  | +1                |    |
| Amplif-Amer | 2.00  | 6                 | 16                | 23 <sup>1/2</sup> | 23 <sup>1/2</sup> | +2                | -    | Da Imc    | -       | -    | -                 | -                 | -                 | -                 | -                 |            |           |      |                    |                    |                    |                    |                   |    |
| AmstelTech  | 20    | 145               | 9 <sup>1/2</sup>  | 94                | 94                | +1                | -    | East Co   | 0.45    | 18   | 20                | 14 <sup>1/2</sup> | 14 <sup>1/2</sup> | 14 <sup>1/2</sup> | -1                | Im. Coms   | 674       | 54   | 54                 | 54                 | 54                 | 54                 | -1                |    |
| AmstelTech  | 823   | 8                 | 8                 | 75                | 8                 | -1                | -    | Echo Bay  | -       | -    | 1475              | 5 <sup>1/2</sup>  | 5 <sup>1/2</sup>  | 5 <sup>1/2</sup>  | -                 | Intermag   | 50        | 114  | 105 <sup>1/2</sup> | 102 <sup>1/2</sup> | 102 <sup>1/2</sup> | 102 <sup>1/2</sup> | -1                |    |
| AmstelTech  | 369   | 1 <sup>1/2</sup>  | 1 <sup>1/2</sup>  | 1 <sup>1/2</sup>  | 1 <sup>1/2</sup>  | -1                | -    | Edo En A  | 0.32176 | 22   | 8 <sup>1/2</sup>  | 8 <sup>1/2</sup>  | 8 <sup>1/2</sup>  | -1                | Intx              | 1624       | 92        | 92   | 92                 | 92                 | 92                 | -1                 |                   |    |
| AmstelTech  | 25    | 25                | 25                | 25                | 25                | -1                | -    | Edo En B  | -       | -    | 17                | 188               | 9 <sup>1/2</sup>  | 8 <sup>1/2</sup>  | 8 <sup>1/2</sup>  | +1         | Jac Bell  | 83   | 205                | 21 <sup>1/2</sup>  | 21 <sup>1/2</sup>  | 21 <sup>1/2</sup>  | 21 <sup>1/2</sup> | +1 |
| AmstelTech  | 867   | 8                 | 8                 | 8                 | 8                 | -1                | -    | Edo En C  | 2.80    | -    | 15                | 90 <sup>1/2</sup> | 84 <sup>1/2</sup> | 85                | +3                | JTS Corp   | -         | -    | 2424               | 4                  | 3 <sup>1/2</sup>   | 3 <sup>1/2</sup>   | -1                |    |
| AmstelTech  | 2100  | 5 <sup>1/2</sup>  | 5 <sup>1/2</sup>  | 4 <sup>1/2</sup>  | 4 <sup>1/2</sup>  | +1                | -    | Edo En D  | -       | -    | -                 | -                 | -                 | -                 | -                 |            |           |      |                    |                    |                    |                    |                   |    |
| AmstelTech  | 81634 | 16 <sup>1/2</sup> | 16 <sup>1/2</sup> | 16 <sup>1/2</sup> | 16 <sup>1/2</sup> | -1                | -    | Fab Inst  | 0.70    | 20   | 20                | 31 <sup>1/2</sup> | 31 <sup>1/2</sup> | 31 <sup>1/2</sup> | -1                | Kirkpat Cp | 23        | 7    | 31 <sup>1/2</sup>  | 23 <sup>1/2</sup>  | 23 <sup>1/2</sup>  | 23 <sup>1/2</sup>  | -1                |    |
| AmstelTech  | 867   | 8                 | 8                 | 8                 | 8                 | -1                | -    | Fina A    | 3.20    | 13   | 4                 | 88                | 88                | 88                | +1                | Kirkpat Cp | 0.40      | 24   | 664                | 19 <sup>1/2</sup>  | 19 <sup>1/2</sup>  | 19 <sup>1/2</sup>  | +5                |    |
| AmstelTech  | 2100  | 9                 | 9                 | 43 <sup>1/2</sup> | 43 <sup>1/2</sup> | +2                | -    | Foster Ls | -       | -    | 3038              | 41 <sup>1/2</sup> | 41 <sup>1/2</sup> | 41 <sup>1/2</sup> | +1                | Laborp     | 0.06      | 25   | 162                | 57 <sup>1/2</sup>  | 57 <sup>1/2</sup>  | 57 <sup>1/2</sup>  | +1                |    |
| AmstelTech  | 867   | 14                | 24                | 27 <sup>1/2</sup> | 27 <sup>1/2</sup> | +1                | -    | Frequency | 0.60    | 18   | 18                | 18 <sup>1/2</sup> | 18 <sup>1/2</sup> | 18 <sup>1/2</sup> | +1                | Lynch Cp   | 40        | 20   | 884                | 884                | 884                | 884                | -1                |    |
| AmstelTech  | 200   | 12                | 77                | 2 <sup>1/2</sup>  | 2 <sup>1/2</sup>  | -1                | -    | Garcia    | -       | -    | -                 | -                 | -                 | -                 | -                 |            |           |      |                    |                    |                    |                    |                   |    |
| AmstelTech  | 0.35  | 7                 | 391               | 23 <sup>1/2</sup> | 28 <sup>1/2</sup> | +1                | -    | Garcia    | 0.80    | 12   | 25                | 20 <sup>1/2</sup> | 20                | 20 <sup>1/2</sup> | +1                | Maclean    | 15        | 46   | 54 <sup>1/2</sup>  | 54 <sup>1/2</sup>  | 54 <sup>1/2</sup>  | 54 <sup>1/2</sup>  | +1                |    |
| AmstelTech  | 200   | 18                | 14                | 40                | 47 <sup>1/2</sup> | 47 <sup>1/2</sup> | +1   | -         | Gates   | -    | -                 | 227               | 34 <sup>1/2</sup> | 32 <sup>1/2</sup> | 34                | +2         | Media A   | 0.52 | 17                 | 312                | 37 <sup>1/2</sup>  | 37                 | 37 <sup>1/2</sup> | +1 |
| AmstelTech  | 0.01  | 105               | 4                 | 5 <sup>1/2</sup>  | 3 <sup>1/2</sup>  | +2                | -    | Gates PdA | 0.75    | 26   | 74 <sup>1/2</sup> | 32 <sup>1/2</sup> | 33                | 33 <sup>1/2</sup> | -1                | Microtelle | -         | -    | 2957               | 11 <sup>1/2</sup>  | 10 <sup>1/2</sup>  | 11 <sup>1/2</sup>  | +1                |    |
| AmstelTech  | 19    | 4                 | 27 <sup>1/2</sup> | 27 <sup>1/2</sup> | 27 <sup>1/2</sup> | -1                | -    | Gates     | 0.70    | 15   | 18                | 19 <sup>1/2</sup> | 19 <sup>1/2</sup> | 19 <sup>1/2</sup> | +1                | Microtelle | 20        | 10   | 10                 | 10                 | 10                 | 10                 | -1                |    |
| AmstelTech  | 64    | 11                | 10 <sup>1/2</sup> | 10 <sup>1/2</sup> | 10 <sup>1/2</sup> | -1                | -    | GatesPdA  | 12      | 1015 | 0 <sup>1/2</sup>  | 1 <sup>1/2</sup>  | 1 <sup>1/2</sup>  | 1 <sup>1/2</sup>  | -1                | Meop A     | 19        | 103  | 32                 | 31 <sup>1/2</sup>  | 31 <sup>1/2</sup>  | 31 <sup>1/2</sup>  | +1                |    |
| AmstelTech  | 64    | 11                | 10 <sup>1/2</sup> | 10 <sup>1/2</sup> | 10 <sup>1/2</sup> | -1                | -    | GenTech   | -       | -    | -                 | -                 | -                 | -                 | -                 | MSR Expl   | 21        | 7    | 12                 | 7                  | 7                  | 7                  | +1                |    |

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# **NASDAQ NATIONAL MARKET**

3:30 pm August 19

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|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|---------|------|------|-----|------|-----|-----------|--------|---------|------|------|-----|------|-----------|-------|------|-----|------|------|-----------|-----------|-----|-------|------|----|-----------|-----------|-----------|------|-----|----|----|----|----|
| EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members. |            |         |      |      |     |      |     |           |        |         |      |      |     |      |           |       |      |     |      |      |           |           |     |       |      |    |           |           |           |      |     |    |    |    |    |
| Stock                                                                                                                                                                                                                                | Div.       | E       | 100s | High | Low | Last | Chg | Stock     | Div.   | E       | 100s | High | Low | Last | Chg       | Stock | Div. | E   | 100s | High | Low       | Last      | Chg | Stock | Div. | E  | 100s      | High      | Low       | Last | Chg |    |    |    |    |
| <b>- A -</b>                                                                                                                                                                                                                         |            |         |      |      |     |      |     |           |        |         |      |      |     |      |           |       |      |     |      |      |           |           |     |       |      |    |           |           |           |      |     |    |    |    |    |
| ACC Corp                                                                                                                                                                                                                             | 98         | 372     | 337  | 334  | 335 | 335  | -1  | Acclaim E | 15     | 806     | 55   | 51   | 52  | -1   | Acclaim S | 20    | 51   | 51  | 51   | -1   | Acclaim S | 20        | 51  | 51    | 51   | -1 | Acclaim S | 20        | 51        | 51   | 51  | -1 |    |    |    |
| Acclaim E                                                                                                                                                                                                                            | 725        | 412     | 376  | 376  | 376 | 376  | -1  | Acclaim S | 1094   | 197     | 193  | 195  | 195 | -1   | Acclaim S | 12    | 413  | 153 | 151  | 154  | -1        | Acclaim S | 21  | 81    | 51   | 51 | -1        | Acclaim S | 21        | 81   | 51  | 51 | -1 |    |    |
| Acclaim Cp                                                                                                                                                                                                                           | 38         | 464     | 184  | 182  | 185 | 185  | +1  | Acclaim S | 1190   | 64      | 51   | 51   | 51  | -1   | Acclaim S | 32    | 5563 | 681 | 643  | 681  | +1        | Acclaim S | 55  | 14    | 39   | 27 | 27        | -1        | Acclaim S | 55   | 14  | 39 | 27 | 27 | -1 |
| Adaptech                                                                                                                                                                                                                             | 5315676050 | 484     | 491  | 491  | 491 | 491  | +1  | Acclaim S | 20     | 509     | 484  | 454  | 46  | -1   | Acclaim S | 51    | 89   | 34  | 35   | 35   | -1        | Acclaim S | 51  | 89    | 34   | 35 | -1        | Acclaim S | 51        | 89   | 34  | 35 | -1 |    |    |
| ADCTel                                                                                                                                                                                                                               | 481307     | 35      | 34   | 34   | 34  | 34   | -1  | Acclaim S | 127    | 13      | 26   | 75   | 74  | -1   | Acclaim S | 51    | 89   | 34  | 35   | 35   | -1        | Acclaim S | 51  | 89    | 34   | 35 | -1        | Acclaim S | 51        | 89   | 34  | 35 | -1 |    |    |
| AdelcoADR                                                                                                                                                                                                                            | 0.37       | 40      | 20   | 45   | 45  | 45   | -1  | Acclaim S | 33     | 8002    | 332  | 314  | 331 | +1   | Acclaim S | 51    | 89   | 34  | 35   | 35   | -1        | Acclaim S | 51  | 89    | 34   | 35 | -1        | Acclaim S | 51        | 89   | 34  | 35 | -1 |    |    |
| Adelos                                                                                                                                                                                                                               | 0.20       | 1814729 | 41%  | 39%  | 40% | 40%  | -1  | Acclaim S | 155    | 41      | 41   | 41   | 41  | -1   | Acclaim S | 51    | 89   | 34  | 35   | 35   | -1        | Acclaim S | 51  | 89    | 34   | 35 | -1        | Acclaim S | 51        | 89   | 34  | 35 | -1 |    |    |
| Adv Logic                                                                                                                                                                                                                            | 6          | 70      | 7    | 67   | 7   | 67   | -1  | Acclaim S | 190    | 36      | 15   | 15   | 15  | -1   | Acclaim S | 228   | 31   | 32  | 32   | 32   | -1        | Acclaim S | 228 | 31    | 32   | 32 | -1        | Acclaim S | 228       | 31   | 32  | 32 | -1 |    |    |
| Adv Polym                                                                                                                                                                                                                            | 871        | 7       | 7    | 7    | 7   | 7    | -1  | Acclaim S | 107    | 31      | 31   | 31   | 31  | -1   | Acclaim S | 180   | 5    | 0   | 12   | 12   | -1        | Acclaim S | 180 | 5     | 0    | 12 | 12        | -1        | Acclaim S | 180  | 5   | 0  | 12 | 12 | -1 |
| AdvTchLab                                                                                                                                                                                                                            | 26         | 367     | 381  | 373  | 373 | 373  | -1  | Acclaim S | 19     | 10      | 10   | 10   | 10  | -1   | Acclaim S | 21    | 20   | 33  | 33   | 33   | -1        | Acclaim S | 21  | 20    | 33   | 33 | -1        | Acclaim S | 21        | 20   | 33  | 33 | -1 |    |    |
| Admiva                                                                                                                                                                                                                               | 0.44       | 20      | 1763 | 34%  | 32% | 34%  | +1  | Acclaim S | 23     | 55      | 2    | 2    | 2   | -1   | Acclaim S | 125   | 13   | 27  | 27   | 27   | -1        | Acclaim S | 125 | 13    | 27   | 27 | -1        | Acclaim S | 125       | 13   | 27  | 27 | -1 |    |    |
| AdmetS                                                                                                                                                                                                                               | 0.53       | 19      | 3172 | 32%  | 314 | 32%  | +1  | Acclaim S | 23     | 4715457 | 441  | 434  | 435 | +1   | Acclaim S | 125   | 13   | 27  | 27   | 27   | -1        | Acclaim S | 125 | 13    | 27   | 27 | -1        | Acclaim S | 125       | 13   | 27  | 27 | -1 |    |    |
| AdmExpo                                                                                                                                                                                                                              | 0.20       | 22      | 456  | 29%  | 29  | 29%  | -1  | Acclaim S | 15     | 51      | 51   | 51   | 51  | -1   | Acclaim S | 23    | 11   | 28  | 28   | 28   | -1        | Acclaim S | 23  | 11    | 28   | 28 | -1        | Acclaim S | 23        | 11   | 28  | 28 | -1 |    |    |
| AdmExpo                                                                                                                                                                                                                              | 1.53       | 14      | 589  | 79%  | 79% | 79%  | -1  | Acclaim S | 681699 | 113     | 116  | 114  | 114 | -1   | Acclaim S | 799   | 71   | 72  | 73   | 73   | -1        | Acclaim S | 799 | 71    | 72   | 73 | -1        | Acclaim S | 799       | 71   | 72  | 73 | -1 |    |    |
| AdmExpo                                                                                                                                                                                                                              | 0.88       | 14      | 322  | 26%  | 26% | 26%  | -1  | Acclaim S | 799    | 71      | 72   | 73   | 73  | -1   | Acclaim S | 69    | 20   | 23  | 23   | 23   | -1        | Acclaim S | 69  | 20    | 23   | 23 | -1        | Acclaim S | 69        | 20   | 23  | 23 | -1 |    |    |
| AdCom                                                                                                                                                                                                                                | 0.54       | 15      | 20   | 214  | 214 | 214  | -1  | Acclaim S | 0.10   | 33      | 1234 | 374  | 364 | -1   | Acclaim S | 16    | 74   | 9%  | 9%   | 9%   | -1        | Acclaim S | 16  | 74    | 9%   | 9% | -1        | Acclaim S | 16        | 74   | 9%  | 9% | -1 |    |    |
| Adrenorg                                                                                                                                                                                                                             | 0.56       | 16      | 2100 | 39   | 39  | 39   | -1  | Acclaim S | 17     | 228     | 31   | 32   | 31  | -1   | Acclaim S | 18    | 21   | 21  | 21   | 21   | -1        | Acclaim S | 18  | 21    | 21   | 21 | -1        | Acclaim S | 18        | 21   | 21  | 21 | -1 |    |    |
| AdrGold                                                                                                                                                                                                                              | 33         | 555     | 21%  | 21%  | 21% | 21%  | -1  | Acclaim S | 18     | 21      | 21   | 21   | 21  | -1   | Acclaim S | 18    | 21   | 21  | 21   | 21   | -1        | Acclaim S | 18  | 21    | 21   | 21 | -1        | Acclaim S | 18        | 21   | 21  | 21 | -1 |    |    |
| Adrenos                                                                                                                                                                                                                              | 451926     | 63%     | 60%  | 62%  | 62% | 62%  | +1  | Acclaim S | 18     | 21      | 21   | 21   | 21  | -1   | Acclaim S | 18    | 21   | 21  | 21   | 21   | -1        | Acclaim S | 18  | 21    | 21   | 21 | -1        | Acclaim S | 18        | 21   | 21  | 21 | -1 |    |    |
| Adrenos                                                                                                                                                                                                                              | 1.54       | 19      | 601  | 21%  | 20% | 21%  | -1  | Acclaim S | 18     | 21      | 21   | 21   | 21  | -1   | Acclaim S | 18    | 21   | 21  | 21   | 21   | -1        | Acclaim S | 18  | 21    | 21   | 21 | -1        | Acclaim S | 18        | 21   | 21  | 21 | -1 |    |    |
| AdrCap                                                                                                                                                                                                                               | 1.78       | 10      | 215  | 17%  | 16% | 17%  | -1  | Acclaim S | 18     | 21      | 21   | 21   | 21  | -1   | Acclaim S | 18    | 21   | 21  | 21   | 21   | -1        | Acclaim S | 18  | 21    | 21   | 21 | -1        | Acclaim S | 18        | 21   | 21  | 21 | -1 |    |    |
| Adrotec                                                                                                                                                                                                                              | 8          | 12      | 3%   | 3%   | 3%  | 3%   | -1  | Acclaim S | 18     | 21      | 21   | 21   | 21  | -1   | Acclaim S | 18    | 21   | 21  | 21   | 21   | -1        | Acclaim S | 18  | 21    | 21   | 21 | -1        | Acclaim S | 18        | 21   | 21  | 21 | -1 |    |    |
| Adrotec                                                                                                                                                                                                                              | 3          | 12      | 2%   | 2%   | 2%  | 2%   | -1  | Acclaim S | 18     | 21      | 21   | 21   | 21  | -1   | Acclaim S | 18    | 21   | 21  | 21   | 21   | -1        | Acclaim S | 18  | 21    | 21   | 21 | -1        | Acclaim S | 18        | 21   | 21  | 21 | -1 |    |    |
| Adrotec                                                                                                                                                                                                                              | 4          | 12      | 2%   | 2%   | 2%  | 2%   | -1  | Acclaim S | 18     | 21      | 21   | 21   | 21  | -1   | Acclaim S | 18    | 21   | 21  | 21   | 21   | -1        | Acclaim S | 18  | 21    | 21   | 21 | -1        | Acclaim S | 18        | 21   | 21  | 21 | -1 |    |    |
| Adrotec                                                                                                                                                                                                                              | 4          | 12      | 2%   | 2%   | 2%  | 2%   | -1  | Acclaim S | 18     | 21      | 21   | 21   | 21  | -1   | Acclaim S | 18    | 21   | 21  | 21   | 21   | -1        | Acclaim S | 18  | 21    | 21   | 21 | -1        | Acclaim S | 18        | 21   | 21  | 21 | -1 |    |    |
| Adrotec                                                                                                                                                                                                                              | 4          | 12      | 2%   | 2%   | 2%  | 2%   | -1  | Acclaim S | 18     | 21      | 21   | 21   | 21  | -1   | Acclaim S | 18    | 21   | 21  | 21   | 21   | -1        | Acclaim S | 18  | 21    | 21   | 21 | -1        | Acclaim S | 18        | 21   | 21  | 21 | -1 |    |    |
| Adrotec                                                                                                                                                                                                                              | 4          | 12      | 2%   | 2%   | 2%  | 2%   | -1  | Acclaim S | 18     | 21      | 21   | 21   | 21  | -1   | Acclaim S | 18    | 21   | 21  | 21   | 21   | -1        | Acclaim S | 18  | 21    | 21   | 21 | -1        | Acclaim S | 18        | 21   | 21  | 21 | -1 |    |    |
| Adrotec                                                                                                                                                                                                                              | 4          | 12      | 2%   | 2%   | 2%  | 2%   | -1  | Acclaim S | 18     | 21      | 21   | 21   | 21  | -1   | Acclaim S | 18    | 21   | 21  | 21   | 21   | -1        | Acclaim S | 18  | 21    | 21   | 21 | -1        | Acclaim S | 18        | 21   | 21  | 21 | -1 |    |    |
| Adrotec                                                                                                                                                                                                                              | 4          | 12      | 2%   | 2%   | 2%  | 2%   | -1  | Acclaim S | 18     | 21      | 21   | 21   | 21  | -1   | Acclaim S | 18    | 21   | 21  | 21   | 21   | -1        | Acclaim S | 18  | 21    | 21   | 21 | -1        | Acclaim S | 18        | 21   | 21  | 21 | -1 |    |    |
| Adrotec                                                                                                                                                                                                                              | 4          | 12      | 2%   | 2%   | 2%  | 2%   | -1  | Acclaim S | 18     | 21      | 21   | 21   | 21  | -1   | Acclaim S | 18    | 21   | 21  | 21   | 21   | -1        | Acclaim S | 18  | 21    | 21   | 21 | -1        | Acclaim S | 18        | 21   | 21  | 21 | -1 |    |    |
| Adrotec                                                                                                                                                                                                                              | 4          | 12      | 2%   | 2%   | 2%  | 2%   | -1  | Acclaim S | 18     | 21      | 21   | 21   | 21  | -1   | Acclaim S | 18    | 21   | 21  | 21   | 21   | -1        | Acclaim S | 18  | 21    | 21   | 21 | -1        | Acclaim S | 18        | 21   | 21  | 21 | -1 |    |    |
| Adrotec                                                                                                                                                                                                                              | 4          | 12      | 2%   | 2%   | 2%  | 2%   | -1  | Acclaim S | 18     | 21      | 21   | 21   | 21  | -1   | Acclaim S | 18    | 21   | 21  | 21   | 21   | -1        | Acclaim S | 18  | 21    | 21   | 21 | -1        | Acclaim S | 18        | 21   | 21  | 21 | -1 |    |    |
| Adrotec                                                                                                                                                                                                                              | 4          | 12      | 2%   | 2%   | 2%  | 2%   | -1  | Acclaim S | 18     | 21      | 21   | 21   | 21  | -1   | Acclaim S | 18    | 21   | 21  | 21   | 21   | -1        | Acclaim S | 18  | 21    | 21   | 21 | -1        | Acclaim S | 18        | 21   | 21  | 21 | -1 |    |    |
| Adrotec                                                                                                                                                                                                                              | 4          | 12      | 2%   | 2%   | 2%  | 2%   | -1  | Acclaim S | 18     | 21      | 21   | 21   | 21  | -1   | Acclaim S | 18    | 21   | 21  | 21   | 21   | -1        | Acclaim S | 18  | 21    | 21   | 21 | -1        | Acclaim S | 18        | 21   | 21  | 21 | -1 |    |    |
| Adrotec                                                                                                                                                                                                                              | 4          | 12      | 2%   | 2%   | 2%  | 2%   | -1  | Acclaim S | 18     | 21      | 21   | 21   | 21  | -1   | Acclaim S | 18    | 21   | 21  | 21   | 21   | -1        | Acclaim S | 18  | 21    | 21   | 21 | -1        | Acclaim S | 18        | 21   | 21  | 21 | -1 |    |    |
| Adrotec                                                                                                                                                                                                                              | 4          | 12      | 2%   | 2%   | 2%  | 2%   | -1  | Acclaim S | 18     | 21      | 21   | 21   | 21  | -1   | Acclaim S | 18    | 21   | 21  | 21   | 21   | -1        | Acclaim S | 18  | 21    | 21   | 21 | -1        | Acclaim S | 18        | 21   | 21  | 21 | -1 |    |    |
| Adrotec                                                                                                                                                                                                                              | 4          | 12      | 2%   | 2%   | 2%  | 2%   | -1  | Acclaim S | 18     | 21      | 21   | 21   | 21  | -1   | Ac        |       |      |     |      |      |           |           |     |       |      |    |           |           |           |      |     |    |    |    |    |

**EASDAQ**

|                   |      |           |      |      |        |      |                                                                                                                                                                                                                                     |                      |               |                     |            |                |                  |                      |        |
|-------------------|------|-----------|------|------|--------|------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|---------------|---------------------|------------|----------------|------------------|----------------------|--------|
| DH Tech:          | 342  | 121       | 174  | 182  | 178    | +12  | EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international operations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members. |                      |               |                     |            |                |                  |                      |        |
| Digi Inf:         | 789  | 112       | 111  | 113  | 112    | +14  |                                                                                                                                                                                                                                     |                      |               |                     |            |                |                  |                      |        |
| Dig Micro:        | 41   | 1860      | 38   | 37   | 38     | -8   |                                                                                                                                                                                                                                     |                      |               |                     |            |                |                  |                      |        |
| Dig Sound:        | 262  | 15        | 17   | 15   | 15     | +8   |                                                                                                                                                                                                                                     |                      |               |                     |            |                |                  |                      |        |
| Dig Syst:         | 10   | 20        | 13%  | 13%  | 13%    | -12  |                                                                                                                                                                                                                                     |                      |               |                     |            |                |                  |                      |        |
| Dinex Cp:         | 23   | 198       | 492  | 474  | 472    | -12  |                                                                                                                                                                                                                                     |                      |               |                     |            |                |                  |                      |        |
| Dose Ym:          | 2219 | 12.5      | 11.4 | 12.4 | 12.4   | +12  |                                                                                                                                                                                                                                     |                      |               |                     |            |                |                  |                      |        |
| Dollar Gr:        | 120  | 36        | 2807 | 41.5 | 40.6   | -0.9 | +14                                                                                                                                                                                                                                 |                      |               |                     |            |                |                  |                      |        |
| Dynatec:          | 100  | 100       | 200  | 200  | 200    | -10  |                                                                                                                                                                                                                                     |                      |               |                     |            |                |                  |                      |        |
| <b>Company</b>    |      |           |      |      |        |      |                                                                                                                                                                                                                                     |                      |               |                     |            |                |                  |                      |        |
|                   |      |           |      |      |        |      | <b>Mid price</b>                                                                                                                                                                                                                    | <b>Change on day</b> | <b>Volume</b> | <b>High</b>         | <b>Low</b> | <b>Company</b> | <b>Mid price</b> | <b>Change on day</b> |        |
|                   |      |           |      |      |        |      |                                                                                                                                                                                                                                     |                      |               |                     |            |                |                  |                      |        |
| AchimCard:        |      | US\$2.875 |      |      | 0      |      | 8.25                                                                                                                                                                                                                                |                      | 2 875         | Lemur & Hauspe      | US\$27.875 | +0.125         | 3445             | 34                   | 35     |
| Artefact Systems: |      | US\$8.75  |      |      | 6350   |      | 11.125                                                                                                                                                                                                                              |                      | 8.75          | Merzec Inf'l        | US\$10.625 | 0              | 11.75            | 8.125                |        |
| Cashmore:         |      | FF110.5   |      |      | 0      |      | 18                                                                                                                                                                                                                                  |                      | 10.5          | NTL                 | US\$22.5   | -0.25          | 0                | 25.125               | 21.625 |
| Deborah Holdings: |      | GBP6.7    |      |      | 1100   |      | 7.15                                                                                                                                                                                                                                |                      | 4.5           | PoTach              | US\$5.5    | 0              | 6.125            | 3.375                |        |
| Di Solomon's ADS: |      | US\$0.45  |      |      | -0.375 | 0    | 30.375                                                                                                                                                                                                                              |                      | 16.675        | Schoeller-Bleckmann | Sch1418    | +43            | 13200            | 1418                 | 900    |
|                   |      |           |      |      |        |      |                                                                                                                                                                                                                                     |                      |               | Tessender Inf'l     | Sch1710    | -10            | 1200             | 3300                 | 3065   |

Prices for 1989/90. Please note that min prices are now used to calculate nights and lows. Information about EASDAQ can be found on the Web site at [HTTP://WWW.EASDAQ.be](http://WWW.EASDAQ.be). EASDAQ offices are located in Brussels (tel: 32-2 / 227 65 20) and in London (tel: 44-171 / 489 9890).

Durham 0.58 16 20 35.2 35.2 35.2

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# Tech groups Supportive Dow aids rebound in bourses at forefront of recovery

## AMERICAS

US stocks continued to recover at midsession as technology companies and consumer product manufacturers made further recovery strides, writes John Labate in New York.

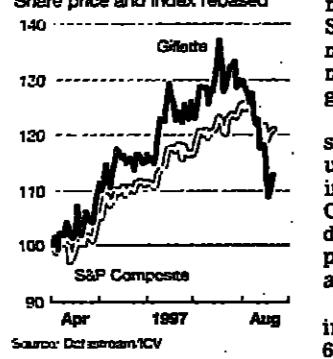
By midday the Dow Jones Industrial Average had gained 62.02 or 0.8 per cent at 7,365.38 and the Standard & Poor's 500 index was 9.14 higher at 921.63.

But the sharpest increase came from the technology-heavy Nasdaq composite index, which advanced 20.19 or 1.29 per cent at 1,589.71.

By lunchtime yesterday the Dow had reclaimed some

of its losses.

Gillette



70 per cent of Friday's severe 247-point shakeout.

Helping the broader market higher was renewed buying in consumer product stocks, which were some of last Friday's greatest fallers. Among them, Gillette rose 3% or more than 4 per cent at \$86.41 and Procter & Gamble up 30% at \$138.11.

In spite of the higher market, analysts are still considering the impact of the firmer dollar on overseas business. "Big-cap multinationals are saying the value of the dollar is starting to hurt them," said Elizabeth

Mackay, chief investment

strategist at Bear, Stearns in New York.

The trade-weighted dollar is currently 99.72, near the top of its range for the last 10 years. This is seen as having a negative impact on companies' currency translations and business abroad.

"The strong dollar has an economic impact on a number of companies, harming volume or margins of both," said Thomas McManus, US

investment strategist at National Securities.

Technology-related companies moved sharply higher with the Pacific Stock Exchange index rising 6.73 or 2.1 per cent at 330.28. Software producer Oracle surged 32% or more than 5 per cent at \$40.00 on an announcement of an agreement with Sun Microsystems. Chip manufacturer Texas Instruments also rose sharply, gaining 5% at \$124.50.

TORONTO rallied strongly, building on the uptick achieved in late trading on Monday. News of a C\$2.5bn counteroffer for London Insurance generated plenty of investor interest among financials.

At noon, the 300 composite index was up 72.39 at 6,727.70.

London Insurance surged

56.45 to C\$33.50 following a counteroffer from Great-West Lifeco, which topped an earlier offer of C\$2.4bn for the company from Royal Bank of Canada. Great-West added 45 cents to C\$33.45 and Royal Bank hardened 25 cents to C\$62.80. Toronto-Dominion Bank gained 60 cents to C\$41.35. Bombardier was pulled ahead of a scheduled second-quarter results statement, slipping C\$1.50 to C\$30.50.

Gold improved. Barrick gained 25 cents to C\$32.90 and Placer Dome added 20 cents to C\$24.55.

## Mexico City steady

Latin American bourses were mixed at midsession with volumes mostly subdued and traders signalling few firm trends.

MEXICO CITY made steady upward progress, although volume was negligible. "It's a wafer thin day. There's very little business around," said one trader. Glassmaker Vitro gained 1.15 pesos to 36.15 pesos to turn in the morning's strongest performance.

Leading conglomerate Carso put on 1.10 pesos to

53.70 pesos. At midsession the IPC index was up 42.72 at 4,955.60.

SAO PAULO failed follow through from Monday's late wave of buying and at mid-session the Bovespa index was off 1.2 or 1.4 per cent at 11,174. Dealers said the main institutions were mostly on hold until the immediate outlook for US interest rates became clearer.

SANTIAGO had an upside morning in light trading. The IPSA index was 131.86 at midsession, up 0.61.

## Cautious S Africa edges up

Johannesburg tracked Wall Street higher in the absence of domestic factors to move the market.

The industrial index finished 2.24 up at 9,086.4, the all-share index added 35.9 to 7,397.2 and the gold index was up 0.9 to 1,017.6.

Trade was cautious ahead of the yesterday's start of the US Federal Open Market Committee meeting and the possibility that Wall Street might respond negatively to the outcome of the gathering.

Overall volumes, as on Monday, were moderate with R679.7m traded. Advancing issues led decliners 231 to 143 with another 134 stocks traded but finishing unchanged.

Computer company IBM featured ahead of its interim results after the close of trade. The share closed 92 cents up at 870 cents in volume of 115,200 shares. Electronics company Siltex's shares soared after the release of robust results, adding 200 cents to R25.

## FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS

Figures in parentheses show number of lines of stock

MONDAY AUGUST 18 1997

TUESDAY AUGUST 19 1997

WEDNESDAY AUGUST 20 1997

THURSDAY AUGUST 21 1997

FRIDAY AUGUST 22 1997

DOLLAR INDEX

US Dollar

Pound

Yen

DM

Currency

% chg

Local

Gross

US

Dollar

Yen

DM

Currency

% chg

Local

Gross

US

Dollar

Yen

DM

Currency

% chg

Local

Gross

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